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NEWS SUMMARY

GENERAL

Surprise opening to Arab meeting

The conference of Arab states opposed to President Sadat's peace initiative towards Israel opened yesterday in Tripoli, Libya. The last minute attendance of representatives from Iraq, which plans to hold a rival conference next week, caused some surprise among delegates.

President Assad of Syria told the meeting: "We are here to pass a resolution on the Egyptian visit to Israel but what it will be depends on our talks here. What we want is solidarity of the Arab position against the Zionists."

In Jeddah, King Khaled of Saudi Arabia met General Jaafar Nimeiri, the Sudanese President, for talks to try to gain Saudi support for President Sadat's moves. Back and Page 6

Talks suspended

Negotiations to set up a common fund under the UNCTAD integrated commodity programme have been suspended at the request of the "Group of 77" developing countries represented at the talks because of the unwillingness of some of the developed countries to agree to the fundamental aspects of a common fund consistent with the objectives of the programme."

Vorster victory

John Vorster, the South African Prime Minister, and his National Party were swept back to power with a record 104-seat majority in the Republic's Parliament. The new Government will continue to implement plans for constitutional change. In Rhodesia, talks starting to-day aimed at settling the country's political problems will be boycotted by the United African National Council, the biggest of the three nationalist groups led by Mr. Ian Smith. Page 5

Council pay plan

Councillors could be paid up to £...0 a year plus compensation for loss of earnings if the Government accepts proposals in the ...son committee's report on councillors' remuneration. If implemented the system would cost more than £30m. a year, compared with the present £10m. Page 10; Editorial comment Page 22

Protest strike

Support for the general strike called by three of France's main unions, to protest against the Government's economic austerity programme was limited mainly to the public sector. About half the power workers joined the stoppage causing cuts in many parts of the country. Page 4

Fishing fine

Spanish skippers who admitted fishing unlicensed inside British and Common Market territorial limits were each fined £...0 and had their catch confiscated by Milford Haven magistrates. The skipper of a Scottish registered trawler who was accused of catching £58,000 of herring in contravention of a conservation ban was cleared at ...uth

Briefly...

Stanley Adams, a former employee of Hoffmann-La Roche lost his appeal to be allowed to return to Switzerland. He was jailed after being convicted of economic espionage last year.

World Boxing Council is planning to strip Muhammad Ali of his world heavyweight title unless he agrees by ...y 5 to fight his main contender Ken Norton.

...man died and 14 people injured in Glasgow when ... collided with a cement lorry.

French sloop, Trente Trois built in 1968 for the single-handed trans-Atlantic race, won on handicap in the second leg of the Whitbread Round the World Race. Page 2

BUSINESS

Equities down 1.2 after early rise

● LEADING EQUITIES extended their two-day rally at the opening, but then drifted lower in thin trading. The FT 30-Share Index—up 2.7 at 10 a.m.—finished above the day's low, closing 1.2 down at 479.8.

● GILTS disappointed, as expectations of another busy day were not fulfilled. Losses in shorts extended to ⅛.

● GOLD was unchanged at $160½.

● STERLING traded within a narrow range before closing five points up at $1.8175. Its trade weighted index fell from 63.5 to 63.2. The dollar's depreciation widened from 2.45 to 2.67 per cent.

● COCOA prices fell, the second position closing at £1,900.50 for a loss of £22.75.

● BARCLAYS BANK has raised its base lending rate 1½ per cent. to 7½ per cent. Back Page

Second yard unable to take Polish order

● POLISH SHIPS order ran into more difficulties as Sunderland Shipbuilders said it could not build any of the seven-ship order forfeited by Swan Hunter because an expected £50m. order from India meant it would be unable to meet the production schedules required. Back Page

● BRITISH STEEL has been forced to cut its capital spending programme by £130m. this year and reduce stocks and work in progress by £120m.-£170m. to keep within the cash limit guidelines set by the Treasury, Mr. Eric Varley, Industry Secretary, told a Commons Select Committee. Back Page

● MONOPOLIES Commission is to investigate the relationship between the British Gas Corporation's retail showrooms and their suppliers as part of an inquiry into the £120m. market for gas fires, cookers and water heaters. Page 8

● EEC Governments will have to decide later this month on future textile import arrangements with four suppliers—India, Brazil, Egypt and Pakistan—with whom the Commission has been unable to agree terms. Page 7

COMPANIES

● BP reported a downturn in attributable profit from £51.9m. to £44.1m. in the third quarter. Page 24 and Lex

● RACAL ELECTRONICS pre-tax first-half profits jumped 68 per cent. from £11.52m. to £19.4m. Page 25 and Lex

● BASS CHARRINGTON increased pre-tax profits from £68.6m. to a record £90.4m. in the year to September 30. Page 26 and Lex

● CREDIT SUISSE has sold its 50 per cent. stake in leading Swiss retail concern, Grands Magasins Jelmoli, to UTC International for Sw.Frs.300m. Page 28

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...Polymer	48	+ 11
...s Bank	332	+ 6
...harrington	161	+ 8
... (Leon)	18	+ 4
...d Conf.	117	+ 7
...	177	+ 5
... (Sir J.)	18	+ 5
... Intl.	113	+ 4
... Wood Steel	57	+ 4
... Siddeley	176	+ 4
...omm. Bnkng.	74	+ 4
... Forbes	360	+ 12
... (S.) A	90	+ 7
...arco	252	+ 6
... & Staff	20	+ 5½
... Francis	104	+ 30
... (Thos.)	37½	+ 4½
...	130	+ 15
Bishopsgate Plat.	58	+ 3
Grootvlei	123	+ 5
Killinghall Tin	490	+ 40
Marievale	118	+ 4
RTZ	192	+ 5
Stilfontein	243	+ 8

FALLS

Exchequr. 12¼pc 1981 £108½		— ¾
ANZ	268	— 17
Dunhill (A.)	385	— 23
Fogarty (E.)	130	— 10
Furness Withy	328	— 8
Glaxo	583	— 7
Gleeson (M. J.)	49	— 3
Nat. Bank Aust.	206	— 14
Sidlaw	98	— 4
BP	900	— 20
Shell Transport	556	— 10
Anglo American Corp.	275	— 5
M.I.M. Hldgs.	143	— 6
Western Mining	103	— 7
West Rand Cons.	197	— 8

Callaghan orders inquiry into Crown Agents £200m. loss

BY MARGARET REID

The Prime Minister has ordered an inquiry, for which there is little precedent, to investigate whether there was any personal breach of duty by officials of certain Government Departments, the Bank of England or the Crown Agents in connection with the Agents' losses of around £200m.

The move was announced yesterday shortly after publication of the Fay Committee's findings on the circumstances leading up to the losses and of a Government statement that there "has been a most severe failure of public accountability."

The Fay Report speaks of unwise decisions, folly and euphoria at the Agents, and the failure of the Government to inform itself of developments, in its account of the causes for the Agents' £212m. losses from their disastrous 1967-74 excursion into secondary banking and property.

It dwells on the inadequacy in the material period of public control over the Agents, who conduct purchasing and investment for 100 overseas Governments, and criticises the role of the Ministry of Overseas Development, the Treasury, the Bank of England, and the Exchequer and Audit Department.

There are also hard-hitting criticisms of Mr. Alan Challis, the Agents' former finance director, and of Sir Claude Hayes, chairman until September, 1974.

Mrs. Judith Hart, Overseas Development Minister, told the Commons yesterday that "the question of what went wrong needs more specific investigation than the Fay committee was able to give it."

Accordingly, the Prime Minister was setting up, under the chairmanship of a judge, Sir Carl Aarvold, a committee of inquiry with these terms of reference:

"In the light of the report of the Fay committee, to assess the nature and gravity of any neglect or breach of duty by individuals which may have occurred in the Crown Agents, the Ministry of Overseas Development, the Treasury, the Bank of England and the Exchequer and Audit Department."

Details of report Page 10
Parliament Page 12

Hearings of the committee will be in private, a fact which attracted criticism in Parliament yesterday.

There have been some previous instances of similar committees of inquiry, notably that in 1954 into the Crichel Down affair which led to a Minister's resignation.

But observers could not last night recall an investigation commissioned by the Government to look into the possible neglect or breach of duty by individual officials of such major named organisations at the centre of Government and administration as the Treasury and the Bank of England.

The Exchequer and Audit Department named in the Aarvold terms of reference examines the accounts of Government Departments and other State bodies for the Comptroller and Auditor-General on behalf of Parliament.

The management of the Crown Agents has been under completely fresh control since the events under investigation and the Government yesterday expressed its renewed confidence and backing for the Agents under their present chairman, Mr. John Cuckney, who has held the office since October 1974.

Legislation is to be introduced to give the Agents incorporated status.

Mrs. Hart referred yesterday to remedial action taken since 1974 and said she was confident nothing like the 1967-74 events—which a written Government statement described as of historical concern—could ever happen again.

The Fay Report relates how the Agents, in an effort to build "own-account activities," entered into a list of ultimately disastrous links with such bodies as the property companies of Mr. William Stern, on which £41.2m. was lost.

There were losses of £42.8m. on the English and Continental Property venture with Mr. Jack Walker and Mr. Ramon Greene,

Continued on Back Page

Sir Ian: wide experience.

New chief for Civil Service

BY DAVID CHURCHILL

THE NEW Head of the Civil Service is to be Sir Ian Bancroft, the present permanent secretary to the Department of Environment, it was announced from Downing Street last night.

Sir Ian, who will be 55 just before Christmas, is to succeed Sir Douglas Allen when he retires at the end of the year.

The Head of the Civil Service is the senior and most coveted job within Whitehall and Sir Ian becomes the ninth man to hold the title since it was created in 1919. Sir Ian will also have an executive post as permanent secretary to the Civil Service Department but his main role as Head of the Civil Service will be to liaise with the Prime Minister over Government's administrative machinery.

The implications of Sir Ian's appointment for the Civil Service's structure aroused considerable speculation in Whitehall last night. The Government is preparing a White Paper in reply to the sharp criticisms by the Commons expenditure committee report of the Civil Service last September.

Some officials believe that Sir Ian's appointment means that the Government is likely to resist making any major changes in structure until after the next election.

Sir Ian has had wide experience of developing management expertise within the Civil Service. He was in charge of the machinery of government group within the then newly-formed Civil Service Department in 1968. In 1970 he became the first director-general of organisation and establishments at the Department of the Environment. After another spell with the Civil Service Department, he became permanent secretary at Environment in 1975.

Law Lords back RTZ in cartel case

BY PAUL CHEESERIGHT

THE HOUSE of Lords has checked U.S. Government anti-trust investigations into an international uranium cartel said to have operated between 1972 and 1975.

Yesterday the Law Lords relieved seven directors of London's Rio Tinto-Zinc Corporation of the obligation to give evidence at a U.S. court in Richmond, Virginia, hearing a $2bn. (£1.1bn.) case brought by power utilities against Westinghouse Electric for failing to deliver 65m. lb of contracted uranium.

The U.S. Department of Justice has made it clear that the evidence sought from RTZ, a prominent uranium producer, was important for grand jury proceedings set up last year to see whether the international uranium industry had breached U.S. anti-trust laws.

The Law Lords were giving judgment on a series of five appeals brought by RTZ and Westinghouse.

The appeals turned on whether letters of request from the Richmond court for RTZ oral and documentary evidence should be executed. The Law Lords unanimously came down in favour of the RTZ contention that they should not be.

The decision delighted RTZ. "This judgment vindicates the position RTZ has taken over the past year of litigation in the English courts," it said.

RTZ has struggled against the execution of the letters rogatory since October last year, but in vain until the Lords hearing, except for gaining some points on documentary privilege in the Court of Appeal last July.

Orders

What induced the Law Lords to overturn the orders of the lower courts was the change in circumstances since the Court of Appeal hearing. That stemmed from the intervention of the U.S. Department of Justice and the reaction of Mr. Sam Silkin, the U.K. Attorney-General.

The U.S. Department of Justice sought to compel RTZ to give testimony in the Richmond court by promising there would be no prosecution arising from the testimony. It did this because it required evidence for the grand jury.

Mr. Silkin, for his part, charged the U.S. with attacking British sovereignty by seeking the extension of its anti-trust regulations.

These moves prompted the Law Lords to judge that the purpose of the letters of request was being misused by the U.S. authorities, and ran counter to the Evidence (Proceedings in Other Jurisdictions) Act, 1975.

"The evidence is sought for the purpose of an anti-trust investigation into the activities of companies not subject to the jurisdiction of the U.S.," Lord Wilberforce, the presiding Law Lord, said.

"It is axiomatic that, in anti-trust matters, the policy of one state may be to defend what it is the policy of another state to attack."

Commenting on the Government's policy against recognising the jurisdiction of the U.S. to investigate British companies, Lord Wilberforce said: "The courts should, in such matters, speak with the same voice as the executive: they have no difficulty in doing so"

Extent

Costs of the Lords appeals were awarded to RTZ, but their extent is a matter of negotiation between the parties involved. However, the costs of the succession of court hearings over the past year is unofficially estimated at at least £250,000.

Jurek Martin writes from Washington: While declining formal comment, it seemed clear yesterday that both the Justice Department and Westinghouse Corporation were disappointed, if not surprised, that the Law Lords had ruled in RTZ's favour.

A Department official commented: "Of course, there's no appeal to the Queen." But he added that the U.S. Government still believed that it was acting in the best public interest in offering the almost unprecedented grant of immunity from prosecution in the United States to the RTZ executives in return for their testimony.

However, the spokesman agreed that the U.S., while not changing its substantive policies, had decided to adopt a more conciliatory and diplomatic tone in anti-trust cases involving foreign nationals and corporations.

This was spelled out some weeks ago in a speech by the Assistant Attorney-General which took note of the adverse reaction in several countries to U.S. attempts, in a variety of cases, to subpoena foreign corporate documents.

On the face of it, the Law Lord's ruling would appear to constitute something of a blow to Westinghouse, which, in fighting the case brought against it by American utility companies for having failed to deliver contracted uranium supplies, had been seeking to elicit from the RTZ executive corroborative evidence of the existence and workings of the so-called international uranium cartel.

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Healey starts talks on how to follow wage restraint

BY JOHN ELLIOTT AND RICHARD EVANS

GROWING Government anxiety about the problems of finding some form of long-term pay policy to take over from the present phase of wage restraint next July became evident yesterday.

First the Prime Minister gave cautious backing to an initiative launched by Mr. Denis Healey, Chancellor of the Exchequer, and then Mr. Healey had talks with leaders of the CBI.

Mr. Healey started what will become a long-running exchange of views between the Government, the CBI and the TUC when he told Labour MPs on Wednesday night that there might have to be a return to a more structured form of pay policy.

Yesterday Mr. Healey's initiative received some support from Mr. Callaghan. But faced with immediate protests from alarmed Left-wing and trade union MPs, the Prime Minister emphasised that no decisions had been taken by the Government, and any new pay formula would have to have the support of the trade union movement.

A special meeting of the Parliamentary Labour Party has been called for next Tuesday at the request of the Tribune group of Left-Wing MPs when Mr. Healey will have the opportunity of making his position clear.

There is no doubt that there are widely differing views within the Cabinet as well as the Labour Party on the form a future phase of the pay policy could take, and Ministers have not yet begun to thrash out the arguments or to reach a consensus.

Construction industry leaders see Healey Page 8
Engineering employers reject pay claim Page 12

The talks between Mr. Healey and the CBI were called to discuss both the progress of the present pay round and the possibility of developing longer-term reforms, including ideas drawn up by the CBI for developing a national consensus on what the country can afford in pay rises and for modernising other methods of pay determination.

These CBI ideas are now being reviewed following the organisation's national conference two weeks ago.

The CBI leaders left the hour-long talks encouraged by the fact that Mr. Healey has started to move down the same road although many employers might oppose a highly structured policy. The CBI is now expected to have talks soon with the TUC. But Mr. Healey emphasised that he had no firm views and that any interest he may have in developing formal structures such as a Pay Board, would be tempered by a realisation of the problems involved in gaining essential trade union agreement.

Nevertheless, he has made it known that he and his Ministerial colleagues are becoming tired of what he described to Labour MPs as "doing Aubrey Jones's old job for no extra pay"—a reference to the role of an earlier Labour Government's Prices and Incomes Board.

At present Ministers and civil servants are having a constant round of meetings which are taking up most of their time in an attempt to keep on top of

Continued on Back Page

N. Sea oil hunt to cost £40bn.

BY RAY DAFTER, ENERGY CORRESPONDENT

NORTH SEA oil operators have told the Government that £40bn. to £50bn. will have to be spent on developing the remaining offshore reserves—about five times the amount so far committed by the oil industry.

The U.K. Offshore Operators' Association believes that several thousand more exploration and appraisal wells will have to be drilled to establish these remaining reserves over the next 20 to 30 years.

In a report discussed by the Energy Commission this week, and published yesterday by the Association, the oil industry points out that between one-third and a half of the ultimate offshore reserves were already in production or under development.

It criticises the Department of Energy's energy discussion paper for not emphasising more strongly the difference between proven, probable and possible reserves.

The Association's report points out that proven reserves so far established in the North Sea amount to 1.38bn. tonnes. The Department's estimate of

BP and the Falklands Page 5
MESA exploration Page 8
North Sea oil review Page 32

ultimate recoverable reserves (3bn. to 4.5bn.) masked many uncertainties.

The association complains that the consultative document —to be embodied in an energy Green Paper in the New Year —gives "insufficient consideration to a long-term oil and gas exploration programme and to the magnitude of the effort required."

In future, fields would probably be much smaller and increasingly difficult to locate. It would quite likely require the development of 30 or more smaller accumulations to replace production from the early large discoveries like Brent, Forties and Ninian.

The association calls for a sustained and balanced exploration programme; a sounder, more technically-based assessment of oil and gas reserves; an assurance that any depletion policy will provide companies with investing confidence and a greater recognition of the role of private industry in offshore development.

On this latter point, the association again asks for its own seat on the Energy Commission to reflect the fact that private companies will be responsible for more than 90 per cent. of oil and gas production for many years to come.

For latest Share Index 'phone 01-246 8026

LOMBARD

Welfare is not cheap

BY JOE ROGALY

ONE OF the clearest examples of the paucity of thinking inside both major political parties is the failure of both of them to redefine the welfare state. The circumstances we shall be facing in the 1980s are quite different from those of the 1940s, when the foundations of the present system were laid down. There is a sharp awareness of the need to protect the poor, but there is perhaps an even sharper awareness of how the mechanisms for so doing have become increasingly costly — reaching deeper *into taxpayers' pockets than* might have been thought possible 30 or 40 years ago.

A new pamphlet published by the Child Poverty Action Group this week could serve as an essential text for the serious political debate that, alas, is not taking place. Entitled "Patching Up the Safety Net?" the pamphlet is in fact the CPAG evidence to the Supplementary Benefits Commission, which is reviewing its own methods and policies. The first point made by the author, Ruth Lister, is the most important one: there is little purpose, she says, in examining the supplementary benefits scheme as if it were something apart from the rest of our system of social benefits.

Subsidiary

"It should constantly be borne in mind that the scheme was intended to play a subsidiary role as the 'safety net' of the social security system: its present central role must therefore not be accepted unquestioningly," she writes. It is perhaps unfair that this criticism should be aimed at the Supplementary Benefits Commission itself, since the S.B.C. can hardly be expected to review Government policies for which it is not itself responsible—but that there should be such a wider review is unquestionable.

The second point will be widely questioned. True to its role as a pressure group on behalf of the poor, what the CPAG wants is more. "The number one priority must be a substantial increase in the scale rates," it says. To those who protest that such an assertion is outrageous, the answer is to consider where they want the increases to be paid—mainly to families with children, and to the long-term unemployed. Over the past few years the first group has been treated with less generosity than, say pensioners, while as for the second the notion that since people on unemployment get social security they must be all right has to be tempered by special consideration for those out of jobs for six months or a year or more. When their unemployment benefit runs out their feeling of demoralisation is compounded by the need to apply for supplementary benefit. By December, 1976, there were 654,000 unemployed claimants, double the number two years previously. Except for a few, these are not layabouts: they are casualties of the economy.

Pressures

Yet to leave it there, as the CPAG does, is not good enough. "*We recognise that there may* be pressures to limit proposals for change to those that do not involve extra public expenditure," writes Miss Lister. "It is essential that any such pressures are resisted." One must ask—why? The proposals in her pamphlet would, if carried out, increase the necessity for taxation by a substantial if unknown amount. This would hit many ordinary workers who are nearly as badly off as many of the claimants the CPAG exists to help. In some cases, indeed, it is the claimants who are the *better fed*.

In my view this does not mean that the substantial case for the best possible treatment of children and the long-term unemployed falls away—it is rather that it is not well argued in isolation. Just as the Supplementary Benefits Commission reform is part of the wider issue of the condition of the Welfare State, so is the daunting equation between needs and cost part of that wider issue. One should be clear about what this means.

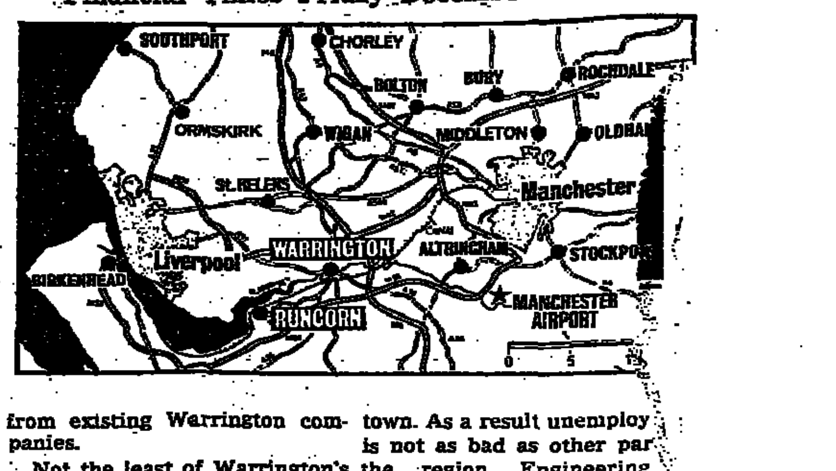
Those who like to believe that *somehow a magic formula for* cutting the cost of welfare by a quarter or a half could be found are fooling themselves; the numbers of pensioners, unemployed, disabled and low earners with large families cannot easily be reduced and is in most cases increasing. On the other hand those who wish that taxpayers would willingly increase the amounts they transfer to such groups are also fooling themselves. The realistic solution, if there is one, will not be constructed until somebody of the *stature of a Beveridge thinks* through the objectives of social welfare all over again. Such an exercise might help to establish a new framework of accepted belief within which the balance between the working part of the population and the dependent part could be fairly struck. It is in reality a politician's job. Where is the politician who is doing it?

Patching Up the Safety Net? 70p from C.P.A.G., 1 Macklin Street, W.C.2

AROUND BRITAIN — WARRINGTON

Britain's new beer capital

BY KENNETH GOODING



WARRINGTON IS now the brewing centre of Britain. Draw a circle on a map ten miles around the town centre, and you have an area where more beer is brewed than anywhere else in the U.K. Warrington has taken over from Burton-on-Trent, the traditional "beer capital" of the country.

Of course, Warrington has had its breweries for a very long time. The local water has the "hardness" brewers used to look for. Burtonwood Brewery, founded by James Forshaw—and to-day with his great, great nephew as chairman—dates back to 1867. The origins of Greenall Whitley can be traced back to 1786 when Thomas Greenalgh (later Greenall) established a brewery in Warrington. And Peter Walker began brewing in the town in 1860. He later joined with Joshua Tetley, and eventually Tetley Walker was to become part of Allied Breweries, Britain's biggest drinks business.

It is only relatively recently, however, that there has been a big build-up of beer production in the area. An increase made at some financial cost. Greenall Whitley has spent £44m. on capital investment in the past six years, part of which has gone towards transforming the Wilderspool brewery into one of the most modern in the country. In the five years to October 1978, an £11.5m. investment programme has had a similar effect on the Tetley brewery (the Walker part of the name was dropped some years ago) and associated depots. There are now 1,100 employees at the brewery and 350 more at the depots.

The project which really turned the tables on Burton was the £30m. brewing and packaging complex developed by Bass Charrington. The Bass brewery, one of the biggest in Europe, is in fact at Runcorn, but Warrington claims that is close enough to count. Guinness is also at Runcorn with a major plant for filling kegs with its stout. This does not involve any brewing but gives a clue to the reason for the recent development: the area is ideal for distribution purposes. Communications are superb. There are seven motorway interchanges in the vicinity, including the intersection of the M6 and M62, the main north-south and east-west motorways.

There are 15m. people within one hour's drive of Warrington. By rail it is only 2¼ hours to London and three hours to Glasgow. The Manchester Ship Canal passes through Warrington, linking with the major ports of *Liverpool and Manchester*. When the M62 is completed it will connect Warrington directly with Hull in the east. Finally, Warrington is within minutes down the motorway from Manchester airport.

Thrusting

Greenall Whitley's managing director, Mr. John Pritchard-Barrett, admits that the change of his company from being a sleepy local brewer to a thrusting regional force was greatly assisted by the luck of being in so convenient a spot. The company was able to snap up 46 pubs in Carlisle when the Government decided to sell off the State-owned brewery there "because Carlisle was straight up the motorway." As a result of its expansion, Greenall Whitley now employs 8,200 people, 50 per cent. more than in 1972.

Excellent communications provide the Warrington New Town Development Corporation with a good "selling" line in its attempts to attract new industry to the area. One of the corporation's direct mail "shots" went so far as to dub Warrington New Town "the hub of the universe," a tongue-in-cheek approach which must *have raised a few smiles*.

Richard Crossman, when Minister of Housing, promoted the idea of a new town for Warrington. He could see it would provide solutions to two problems: how to cope with the population "overspill" from the Greater Manchester area, while providing a use for three derelict, war-time sites. Those sites have names which will conjure up memories for many of the middle-aged—Padgate RAF camp, the U.S. military *airfield at Burtonwood, and the* former Risley ROF.

Times have changed and it is now clear there will be no "overspill" from Manchester. Instead, Warrington New Town will grow naturally. The current objective is for 20,000 new jobs to be created by the late 1980s. By the end of this year there will be 5,000 people working on Development Corporation land of whom 1,500 are engaged in the continuing construction of the new town. So far the corporation has agreed terms with 72 companies including 15 with North American "parents," four from Continental Europe and 15 from existing Warrington companies.

Not the least of Warrington's attractions, according to Mr. David Binns, general manager of the Corporation, is that, although the town itself is set in a flat, industrial landscape, there are many leisure centres within easy motoring distance.

To-day the old town centre is being revitalised. A new £1.25m. market was opened in 1975 to replace the previous one and allow new development to take place. A 12-acre, £23m. shopping centre, called Golden Square, is being developed by the borough council in partnership with a subsidiary of Land Securities Investment Trust. There will be enclosed malls, and pedestrians will be segregated from traffic. All this should be completed by late 1981 although the first *phase could be ready by the end* of 1979.

The people of Warrington have a wide variety of skills for it was never a one-industry town. As a result unemployment is not as bad as other parts of the region. Engineering remains the major employer, taking in 16,120 people in Warrington and Runcorn as compared with 4,091 for food, drink and tobacco industry.

The latter includes the local distillers, and *for many* people, particularly in the South East of England, the town is firmly linked with Vladivar vodka. Mr. David Copp, marketing director for G. and J. Greenall, the brand owners, in the early days of "going national" with his vodka upset some local councillors by reworking an old joke. He offered as first prize in a Vladivar competition "one week in Warrington." The second prize was "two weeks in Warrington." In *reality, Mr. Copp says,* "Warrington is a smashing place—that's why we splash its name all over. We are proud of the town and want more people to know about it."

Tough TV battle for Packer

CRICKET

BY HENRY CALTHORPE

MR. KERRY PACKER has often said the Australian public prefers to watch Australia play the West Indies to the Ashes series against England.

To-morrow, the first of the three so-called super Tests between the WSC Australian 11 and the WSC Rest of the World 11 starts at VFL Park, 16 miles out of Melbourne.

Mr. Packer and his opponents will be able to see the public reaction for themselves.

It is a remarkable week-end for sport in Australia. Mr. Packer's Second Australian 11 is playing a three-day match against the Rest of the World at Rockhampton in Queensland while the official Test series between Australia and India starts to-morrow in Brisbane. Australia also takes on Italy in the Davis Cup.

The Indians have made a good start to their tour winning their first eight matches, with convincing victories over South Australia, Victoria, New South Wales and Queensland.

Although the ultimate result of the first super Test may not be of great concern to anyone but the players who stand to make a small fortune in prize money, the match between the Australians and probably more determined Australians and the West Indians seems sure to produce some stirring cricket.

Two years ago, this same West Indies side lost to Australia by five matches to one.

They are more mature now to overcome their traditional temperamental weaknesses.

Even if it is cricket played in a vacuum, Lillee against Richards, the Chappells against Holding and Roberts and countless other battles within a battle are almost bound to produce exciting cricket.

Mr. Packer's eight television cameras will be there and four buried microphones which in rehearsal made it sound like a stampede out on safari are in place. Trueman, Benaud and company are ready to do their stuff in the commentary box.

But will the television presentation hold the Australian public's interest or will a quick score flash from Brisbane have them switching channels? How many Victorians will make the journey to VFL Park?

Meanwhile, Mr. Packer's super*stars have been suffering from* the problems that affect ordinary mortals. In a one-day game yesterday in Geelong, Redpath broke an Achilles' tendon and will not be able to play again in this winter's series.

This has left WSC one Australian short. I gather another player is being signed to-day.

When the West Indians practised this morning, Rowe was hit painfully on the thumb and may not be fit to-morrow.

Redpath's injury has meant Walters finds a place in the Australian side. Two spinners, Bright and Mallett are in the Twelve, but one will almost certainly be left out.

The pitch seemed harder and had a more uniform colour than that used for the first game. It will be slow, but should not cause any problems.

To-morrow's match is in a sense going to be fought in the sitting rooms of Australia where Mr. Packer is hoping to win his biggest victory.

Tiepolino should oblige

RACING

BY DOMINIC WIGAN

THE THREAT of overnight frost and the strong possibility of jarring ground has reduced fields drastically at Sandown to-day *where the absentees include that* highly promising novice, Jackadandy, and the fast-improving Roadhead.

With Jackadandy, El Cardo, Prebihas and Puck's Friend out of the Bookham Novices Chase, it will take a brave punter to *oppose* Tiepolino, that high-class recruit from hurdling.

A five-year old, formerly trained by Josh Gifford for Major Derek Wigan, but now running in the colours of another Findon owner, Mr. George Sloan, has improved with each of his three races this season.

A respectable fourth on his chasing debut behind Hazy Isle at Huntingdon in mid-October, Tiepolino ran Trustful to four lengths in the Herstmonceux Novices Chase at Folkestone. Heidelberg was third—30 lengths in arrears.

Tiepolino's fine effort ironed out some minor errors which dogged his round at Huntingdon, and it came as no surprise when he won a short work of the opposition in Kempton's Richmond Novices Chase nine days afterwards.

Always travelling well within himself on the Sunbury course, Tiepolino took control three fences from home and quickly asserted marked superiority over the strongly fancied Sunrise Hill.

If, as I anticipate, Tiepolino proves capable of producing another error-free performance, he should oblige with the minimum of fuss. I take him to win at the chief expense of Dyscole, who has been concentrating on hurdling.

At Market Rasen, Heidelberg is dropped in class for the Aston Arms Novices Chase. He should repay the move with a well-deserved first success of the campaign.

Looking ahead to the SGB Chase at Ascot on December 17, it is interesting to note that Master H heads the weights, two pounds ahead of Pendil. The Uplands chaser is set to carry one pound more than Uncle Bing and Broncho II.

SANDOWN

1.00—Ballyfin Lake*
1.30—Tiepolino**
2.00—Wayward Scot
2.30—Ghost Writer
3.00—Ranksborough
3.30—Double Bluff

MARKET RASEN

1.15—Heidelberg***
1.45—Embargo
2.15—Pacify
2.45—Good Job

Toy concern to sponsor series

MOTORSPORT

BY BRIAN AGER

AURORA AFX, the international toy company, is to sponsor a motor racing championship, the only series for Formula One cars other than the World Championship Grand Prix.

The Aurora AFX Formula One Championship will consist of a minimum of 12 races, one staged in Holland and the rest on British circuits. It is intended to provide up-and-coming drivers with a chance to qualify for a licence to take part in the World Championship, the necessary under new international regulations.

Mr. Torquil Norman, chairman of Berwick Timpo, said yesterday that the sponsorship was linked with the promotion of Aurora slot racers, which his company distributes in Britain.

There will be £2,000 for the winner of each race, with prize money down to 10th place, but the total involved in the sponsorship has not been revealed.

The series, promoted by Motor Circuit Developments and organised by the British Racing and Sports Car Club, has already attracted the interest of a number of drivers on the fringe of big-time racing, and more than £500,000-worth of Formula One machinery has changed hands this autumn.

Mr. John Webb, managing director of Motor Circuit Developments, said the new series would replace Group Eight racing which has catered for cars from various formulae. Only Formula One and Formula Two cars would be eligible for the new series. Twenty-five drivers were considering running Formula cars.

One man who hopes to take part in some of the races in the series next year is world motorcycling champion Barry Sheene, who plans his debut in four-wheeled racing.

French sloop wins second leg

YACHTING

BY ALEC BEILBY

THE VETERAN French 57-feet sloop, Trente-Trois Export, built in 1968 for the single-handed transatlantic race, has surprisingly won the second leg of the Whitbread Round the World Race on handicap over the 7,500 miles from Cape Town to Auckland against larger, more modern opposition.

Until last week, it seemed that this leg, expected by most crews to be the toughest, would have been won either by the Swan 65 King's Legend, the British Joint Services sloop Adventure, or the ERC entry Traite de Rome.

King's Legend arrived last weekend, beating the Dutch ketch Flyer, which has an identical rating for handicap purposes, by 1 hour 13 minutes.

Meanwhile, Adventure, with more than 80 hours in hand over those already in port on handicap, was in the Tasman Sea 400 miles from the finish with the smaller Traite de Rome, with a 17-hour handicap advantage over Adventure, threateningly close.

Trente-Trois Export, at this stage, was just ahead of these smaller yachts.

The high-pressure area in the Tasman Sea between Australia and New Zealand, which had given the leading yachts favourable winds for the closing miles, moved eastwards towards New Zealand, helping the crew of Trente-Trois Export and slowly closing the door on those astern.

While the jubilant French crew, led by young Alain Gabbay, sailed into Auckland and the winner's berth for the leg, Adventure and Traite de Rome struggled round the North Cape of New Zealand in a falling wind.

During the first race in 1973, a daily run of more than 200 miles was the exception. Now it is the rule for most yachts to better this.

The competitors put this down to a considerable increase in crew expertise and improvement in equipment, although the yachts themselves have changed little in basic design.

David Leslie, skipper of Adventure, and an Army staff sergeant, summed it up in the quiet way one might expect from an islander from northern Scotland. "The winds were most unfair."

Chief Petty Officer Ernie Wise was more expressive: "We was robbed," he said.

David Leslie, who sailed in the first Whitbread Race aboard the ketch British Soldier, then for the full distance of the Financial Times Clipper Race aboard Great Britain II, told me that, apart from one storm, the Southern Ocean was far less alarming than he had expected.

Overall lead in the race over the full distance from Portsmouth to Auckland still rests between Flyer and King's Legend, these two a mere 46 minutes apart on handicap.

Subject to the problems apparently surrounding the British yacht being resolved before the restart of the race via Cape Horn to Rio, it seems probable that this narrow margin between the leaders will continue.

What started as a handicap race, particularly between Flyer and King's Legend with their identical handicapping, is quickly developing into a level-rated match race between these two crews.

Furniture fetches £298,382

SALEROOM

BY ANTONY THORNCROFT

AN ENGLISH furniture sale at Christie's yesterday totalled £298,382, with only 3 per cent. unsold.

An early George III mahogany cabinet by William Hallett, one of the few pieces signed by an English cabinet-maker, sold for £26,000 to the London dealer R. Symes. A George III satinwood and marquetry library secretaire bookcase made £15,000, to Bedford.

A George III mahogany-framed settee by Thomas Chippendale, made for Harewood House, sold for £13,000 to the Alexander Gallery. In 1968 it was sold by Lord Harewood at Christie's for £892.50. A set of 16 Regency mahogany dining chairs, made by Gillows of Lancaster for the Rev. M. Twemlow of Peats Wood, Market Drayton, in 1811, was acquired for £9,500 to the London dealer Jeremy.

The Croome Court cupboards, designed by Robert Adam and made by John Cobb for Croome Court, Worcs., fetched £8,500 from an American buyer, Sellin. They were sold at Sotheby's in 1965 for £1,300.

Also at Christie's there was a sale of books from the Evelyn Library, so far it has totalled £78,246. The total for the Evelyn Library so far is £411,287.

A first edition of Robert Hooke's "Micrographia" sold for £7,500 to the Dutch dealer Israel, and Quaritch paid £6,800 for Jean Leclerc's "Theatre Geographique du Royaume de France," and £5,800 for "Men-Miracles."

Library. This was the second part of a two-day sale covering authors with names initialled D to L. It totalled £78,246.

Other purchases by Martin Lewellyn, "Oratio de Consummatione Mundi," by Hippolytus, Bishop of the Port of Rome, sold for £5,000 to a private buyer. A first edition of William Harvey's "Exercitationes de Generatione Animalium" made £3,800 to Maggs.

Bonhams sold European pictures for £88,872. Among the pictures, Parker paid £4,200 for "An English Hayfield," by Benjamin Leader, and "In the Fen Country," by Karl Heffner, sold for £2,000. In the furniture Thomson gave £1,500 for a George III satinwood secretaire bookcase and a Queen Anne burr walnut chest-on-chest realised the same sum.

Robson Lowe's two-day stamp auction at Bournemouth totalled £91,001, with a world collection selling for £8,300.

TV Radio

† Indicates programme in black and white.

BBC 1

9.30 a.m. For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Barnaby. 2.00 For Schools, Colleges. 3.15 Dochrau Canu Dochrau Cannol (Welsh hymn-singing). 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Huckleberry Hound. 4.25 Jackanory. 4.40 Goober and the Ghost Chasers. 5.05 Countdown to the Festival. 5.35 Ivor the Engine. 5.40 News. 5.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.20 Nationwide. 6.45 Sportswide. 7.00 The Tom and Jerry Show. †7.15 "The Adventures of Sherlock Holmes," starring Basil Rathbone and Nigel Bruce. 8.25 The Other One. 9.00 News. 9.25 Terence Rattigan: A Tribute. 10.25 To-night (London and South-East only). 10.55 Regional News. 10.56 Ice Figure Skating Championships of Great Britain. 11.35 The Late Film: "Vendetta" starring Jeffrey Hunter.

All regions as BBC-1 except at the following times:—

WALES—11.5-11.25 a.m. For Schools (Let's Look at Wales). 1.45-2.00 p.m. Cwmtiatli. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.25 Bugs Bunny. 7.35 The Discoverers. 8.05-8.25 It Ain't Half Hot Mum. 10.25 Kane on Friday. 10.55-10.56 News for Wales. 11.35-12.55 a.m. "The Adventures of Sherlock Holmes" starring Basil Rathbone.

SCOTLAND — 10.25-10.43 a.m. and 11.05-11.25 For Schools. 5.55-6.20 Reporting Scotland. 8.25-9.00 Current Account. 10.25 Spectrum: Design on the Line. 10.55-10.56 News for Scotland.

NORTHERN IRELAND—10.25-10.43 a.m. For Schools (Ulster in Focus). 3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 10.25 Perspective: Was Jesus God?—an investigation. 10.55-10.56 News for Northern Ireland.

ENGLAND—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.25-10.55 East (Norwich) On Camera; Midlands (Birmingham) Top Gear; North East (Newcastle) Mike Neville Meets Bob and Alf Pearson; North West (Manchester) Home Ground; South (Southampton) It's Your Bid; South West (Plymouth) Pensula; West (Bristol) Jazz on the Quay.

BBC 2

11.00 a.m. Play School (as BBC 1 3.55 p.m.). 7.00 News on 2 headlines. 7.05 Roadworthy. 7.30 Newsday including West-minster Report. 8.10 Kilvert's Diary. 8.25 The Money Programme: Brave New Steel: Britain's investment in new plants. 9.00 Harry Belafonte sings. 9.30 Horizon. 10.40 Anna Karenina, part 10. 11.25 Late News on 2. 11.35 The Book Programme. 12.15-12.20 a.m. Closedown: Gabriel Woolf reads "Upper Lambourne" by John Betjeman.

LONDON

9.30 a.m. For Schools. 10.50 Schools Rundown. 11.00 For Schools (continued). 11.55 Felix The Cat. 12.00 A Handful of Songs. 12.10 p.m. Rainbow. 12.30 Battle of the Comics. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain. 2.00 Money-Go-Round. 2.25 Friday Matinee: Banacek. 3.50 The Cedar Tree. 4.15 The Swiss Family Robinson. 4.45 Magpie. 5.15 Emmerdale Farm. 5.45 News. 6.00 Thames at 6. 6.35 Crossroads. 7.00 The Muppet Show. 7.30 Backs to the Land. 8.00 General Hospital. 9.00 Love for Lydia. 10.00 News. 10.30 Police 5. 10.40 Russell Harty. 11.40 Upstairs, Downstairs. 12.40 a.m. Out of Town. 1.10 Close — Debby Cumming reads poems by Lucie Shaw.

All IBA Regions as London except at the following times:

ANGLIA

1.25 p.m. Anglia News. 2.25 Friday Film Matinee: "Chase." 5.15 Happy Days. 6.00 About Anglia. 10.30 Probe. 11.00 Friday Late Film: "Warning Shot." 12.45 a.m. Christians in Action.

ATV

1.20 p.m. ATV Newsdesk. †2.25 Movie Matinee: "Nine Own Executioner." 5.15 Happy Days. 6.00 ATV To-day. 10.30 The Friday Film Fantastic: "Project X."

BORDER

1.20 p.m. Border News. 2.25 Friday Film Matinee: "The Happiest Days of Your Life." 5.15 Happy Days. 6.00 Border News and Lookaround. 10.30 The Andy Williams Show. 11.00 Upstairs, Downstairs. 12.00 The Practice. 12.25 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 2.25 The Friday Matinee: Tenafly. 6.00 Report at Six. 10.28 Channel Late News. 10.35 Late with Danton. 10.50 Late Night Movie: "There is a Woman." 12.30 a.m. News and Weather in French.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 2.25 Friday Matinee: "The Girl Most Likely To." 6.00 Grampian Today. 7.30 Welcome to the Ceilidh. 10.30 Points North. 11.00 Collaborators, followed by road report. 12.25 a.m. Reflections.

GRANADA

1.20 p.m. This is Your Right. 2.25 Friday Matinee: Banacek. 5.10 This is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Kick Off. 7.00 Sale of the Century. 7.30 The World of ... 10.30 A Prime Minister on Prime Ministers. 11.00 The Big Film Premiere: "The Spiv." 12.40 a.m. Sidcup Please.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.25 Women Only. 2.55 Tenafly. 3.55 Sinbad Junior. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 10.30 Report Extra. 11.05 The Friday Film: "Vendetta" starring Roddy McDowall and Jill Haworth.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 4.20-4.45 Camau Cantamil. 6.00-6.15 Y Dydd. 10.30-11.05 Outlook.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

11.25 p.m. News and road and weather report. 2.00 Women Only. 2.25 Mystery Movie: Banacek. 3.55 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Scotland Today. 6.30 The Muppet Show. 7.00 Emmerdale Farm. 7.35 Hello, Good Evening, Welcome. 10.30 Ways and Means. 11.00 Late Call. 11.05 Late Night Movie: "Seven In Darkness."

SOUTHERN

1.20 p.m. Southern News. 2.00 Women Only. 2.25 Friday Matinee: "The Abduction of Saint Anne." 5.15 Weekend. 5.20 Crossroads. 6.00 Day by Day (Channels 1, 17, 42, 45 and 60); 6.00 Scene South East (Channels 10, 43, 64 and 66 only). 6.30 Out of Town. 10.30 A Southern Report. 11.00 Southern News Extra. 11.10 Crime Club: "The Last Key."

TYNE TEES

9.25 a.m. North East News Headlines followed by Starting Point. 1.20 p.m. North East News and Lookaround. 2.25 Friday Film Matinee: "Information Received." 5.15 Mr. and Mrs. 6.00 Northern Life. 10.30 Sportstime. 11.05 The Friday Film: "Count Yorga, Vampire." 12.40 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. †2.25 Friday Matinee: "Doublecross." 4.13 Ulster News Headlines. 5.15 The Cisco Club. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 6.50 Police Six. 7.00 Sale of the Century. 10.30 Friday Talk-In. 11.00 The Antrim McDonnells. 11.15 Hawaii Five-O followed by Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 The Friday Matinee: Tenafly. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.35 Late with Danton. 10.50 Late Night Movie: Death is a Woman. 12.30 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 2.25 Friday Film Matinee: "Orders are Orders." 5.15 Calendar Sport. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 A Prime Minister on Prime Ministers. 11.00 Upstairs, Downstairs. 12.00 The Adventurer.

RADIO 1 — 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sounds of the 60s. 8.00 Friday Rock Show. 10.00 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2—6.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 — 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) with The Early Show, including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Radio Orchestra plays music from the movies (S). 8.02 Jack Jones (S). 9.02 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Take Your Partners (S). 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.00-2.02 a.m. News Summary.

RADIO 3 — 464m, Stereo & VHF

† Medium Wave only

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Orlando Gibbons (S). 9.40 BBC Concert Orchestra (S). 10.40 Organ Music ... Birmingham University. 5.45 Homeward Bound (S). 6.00 PM Reports. 5.45 Serendipity.

RADIO 4 — 434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour (continued). 7.00 News. 7.10 Today ... 9.00 News. 9.05 Voice of the People. 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 This Most Delectable Race. 12.00 News. 12.02 p.m. You and Yours. 12.27 My Word! 12.55 Weather, programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 4.00 News. 4.05 Vanishing Tilt. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather, programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

BBC Radio London — 206m and 94.9 VHF

5.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sport. 6.30 Look, Stop, Listen. 7.30 In Town To-night. 8.00 Black Londoners. 10.00 Track Record. 12.00-close: As Radio 2.

London Broadcasting — 261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 A.M. with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'Clock Call. 4.00 After 8—with Ian Gilchrist. 9.00 Nightline.

Capital Radio — 194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash on Delivery (S). 3.00 p.m. Roger Scott with his Three O'Clock Thrill (S). 7.00 London To-day. 7.30 Adrian Love's Open Line. 9.00 Nicky Horne's rock programme (S). 11.00 Mike Allen's late show (S). 2.00 a.m. Ian Davidson's London Link.

F.T. CROSSWORD PUZZLE No. 3,534

ACROSS

1 Condiments used by sailor with French wine and eastern fish (4, 3, 7)
10 Song north of the border is awry (5)
11 Trousers and coats for underground workers (9)
12 Get a pot broken to make a mess (7)
13 Extended a feast (7)
14 Hair used in mattresses (5)
16 Start and finish edition that's unlimited (4-5)
19 Without peer or without a light (9)
20 Abnormally large composer (5)
22 Impostor starts selling to depress the market (7)
25 As bread may be when about consumed (7)
27 Peevish and wanting to be scratched (9)
28 Have about a pound to divide (5)
29 Continental fertiliser applied to salad (6, 8)

DOWN

2 Share in a plot? (9)
3 Article mother follows in subject of discussion (5)
4 The person to look after could be a naval officer (6, 3)
5 Sick in state house (5)
6 Objective carrier knows peace it's said (4-5)
7 Dirt from sullen oriental (5)
8 Lived but desired otherwise (5)
9 One circuit ahead of favourite but creating little flap (6)
15 Type of diagram confusing a chemist with a curious start (9)
17 The Spanish stitch in this place but not here (9)
18 Finger with broken nail could be poisonous (9)
19 Dog requiring acorns if female (7)
21 The wrong horse for a campanologist (6)
23 Eager to change and conform (5)
24 Soldiers offer to be fanatical (5)
26 Moral significance of those putting last first (5)

SOLUTION TO PUZZLE No. 3,533

Cinema

Curbing the Censors

by NIGEL ANDREWS

Inhibitions (X)
Filmcenta, Classics Victoria and Praed Street

Golden Rendezvous (A)
Warner 2, ABC Shaftesbury Avenue and Scene

67 Days (AA) EMI International

Since I was out of the country when the police swooped on the Soho cinema clubs, seizing and carrying off projectors and films in the name of a campaign to "clean up" the West End, it is time I recorded by belated reaction. I am prompted to do so now by news that two of those cinemas have won their appeals, and elicited from the judge a statement that the GLC (whose public services and safety committee—or rather two members thereof—precipitated the action) had wrongfully used its "Draconian" powers in refusing to grant the cinemas a renewal of their licences; and that "there has not yet been any valid adjudication or decision on the application for licences."

We live in parlous times, and a parlous city, as far as censorship is concerned. London is probably the most repressed and repressive capital city in Western Europe. I use those sweeping terms advisedly, since interference in people's sexual freedom is not merely confined to cinemas. For sexual minorities in this city, indeed in this country, the amount of harassment and intolerance, discreetly applied as the British always apply things, is quite formidable. And I suspect that only the British would have tolerated it for so long, and with as good a grace, as they have done.


Ann Turkel in "Golden Rendezvous"

The ideal of freedom is not, or should not be, a partial and selective one. Those who call themselves champions of freedom (as do many of the opponents of pornography) but are only concerned to promote the freedoms that gratify them are no champions of freedom at all. The irony in the current British censorship debates is that those who harangue us most about "moral" degeneracy and corruption are usually those who define their antipathies in exclusively aesthetic and personal terms like an offensive smell or a displeasing wallpaper. I cherish, for example, the remark of GLC porn-breaker-in-chief Bernard Brook-Partridge, made during October's raids: "You can't visit any of the good restaurants in Soho without running the gauntlet of sordid sex shops and cinemas." "Filth," is all right, it seems, so long as it is out of sight. Dirty films, to borrow from Oscar Wilde, should be obscene but not heard.

I am sure that these lovers of freedom would take to their hearts that immortal gem of hypocrisy and doublethink once uttered by Lenin: "Freedom is a precious commodity—so precious that it must be rationed." One man's freedom sometimes — indeed frequently — infringes that of another. But the answer is not to "ration" freedom but to distribute it more fairly and equably. There is nothing fair and equable, and there never has been, about the actions of moral crusaders — whether they call themselves the Festival of Light, or the London Clean-Up Campaign, or any other such detergent title — who seek to scrub away the enjoyment of others when no definable harm is done them by that enjoyment. The only evidence for harm of *any* kind these enemies of sexual liberty can muster is nebulous catch-phrases like "tendency to deprave or corrupt," "disorderly house," and other shibboleths which centuries of legal history still have not satisfactorily defined.

But for the cinema's censorship system, at least, it seems that the machinery of self-criticism is at last beginning to whirr. This month will see the implementation in Parliament of the Criminal Law Act clause which brings films under the 1959 Obscene Publications Act; thereby removing the cinema (we hope) from the vexations and authoritarian attentions of public bodies. Secondly, the Williams Committee is at this moment examining the laws on obscenity and the arrangements for film censorship in Britain, although such is the longevity of committees that we may have to wait some time before hearing their findings.

Such a committee was, of course, set up in America during the Nixon era and duly delivered its verdict that it could find little, if any, evidence for the damaging effect on filmgoers of sexual explicitness on the screen. That, however, was not the conclusion that Nixon himself wished to hear and so the committee's evidence was brusquely ignored. I hope that whatever government is in power when the Williams Committee delivers its findings will hearken to them, and that the report will act as the beginning of a proper debate on censorship in this country, where argument on the subject has hitherto been either non-existent or confined to a futile war of sloganising.

I do not believe that I and my critical colleagues, most of whom are strongly opposed to censorship, are voices crying in the wilderness. But at present the devil has all the best slogans, the best publicity and the best-organised disciples. If among my readers, or among the film-going public at large, there are those who think as I, then now is the time to articulate your views and swell the voice of protest against those who seek to dictate how, where and when others should enjoy themselves. Freedom of speech in Britain does not stop at permission to mount a soap-box at Speaker's Corner; it extends, or should do, to every form of self-expression, artistic and otherwise. Only if there is concrete and demonstrable harm to others from such self-expression — which I defy anyone to argue in the case of sexuality on the screen—should any attempt be made to curtail it. Freedom is a precious commodity: so precious that it must be cultivated and increased.

The Entertainment Guide is on Page 20

*

Inhibitions looks as if it has received the attentions of our censor. This transcendently absurd romp is set in Africa and features French sex goddess Claudine Beccarie as a lady whose unspeakable (and I assume well-scissored) adolescent experiences—seen in flashbacks—have rendered her cold and hostile towards Men. For consolation she has a pretty female secretary with whom she shares an occasional shower, in the midst of which she purrs such exhortations as "Now come on, relax, or I'll have to give you a spanking." (She doesn't: or perhaps the censor removed it.) Male love finally conquers: but not so that you notice in a film that has as much erotic explicitness as a Look at Life documentary: which, with its instant-lyricism photography and unstoppable muzack, it much resembles. By bowdlerising the film as he has done, someone—either the censor or the distributor—has gutted it of its sole *raison d'etre*. Does he really think that the result is an improvement?

*

Golden Rendezvous is the advance guard of the Christmas silly season. I was 15 minutes late for this film, courtesy of London Transport, and therefore assumed that my state of total bewilderment vis-a-vis the plot was due to unpunctuality. Afterwards, however, I was assured by those who had seen it through that bewilderment was the only sane response to this latest Alistair MacLean extravaganza. Richard Harris, he of the multi-decibel whisper, hoarsely swashbuckles his way through the role of a naval officer called upon to save a luxury cargo ship from the depredations of a gang desiring (a) to blow it up or (b) to use the nuclear warhead it is carrying for international blackmail or (c) to smuggle gold. (Delete whichever is inapplicable.) The all-star cast includes David Janssen, Dorothy Malone, Burgess Meredith, Gordon Jackson and John Carradine; most of whom act with a glazed fixity of purpose that suggests they are still in a state of shock after reading the screenplay.

*

This is one of those weeks, I fear, when one comes not to praise films but to bury them. *67 Days* is a Yugoslavian epic about that country's heroic resistance movement during World War Two. I assure you that I do not often go to sleep in the cinema, but this film kept extinguishing me like a light. Each time I emerged from a bout of oblivion, I was seeing more explosions, more scurrying extras and more scenes of leaden exposition detailing which group of soldiers was where, and why, and for how long. It is fine, no doubt, for *entente cordiale* and hands across the Iron Curtain, that the EMI Bloomsbury is showing a Yugoslavian film, but judged as anything other than an international good relations act, the occasion is pretty much of a disaster.

*

One sole note of comfort and joy this week. The Greater London Arts Association is organising a series of lunch-time film sessions at various points over ensuing weeks, and they are giving a long-overdue airing to some of the best short British independent films. Mondays to Thursdays are the weekdays in question, and for details of time and place ring the GLAA at 387-9541. Thank goodness that one body of Greater Londoners, at least, is doing something other for films than cleaning them up.


Leonard Burt

Ann Firbank and John Harding

Round House

Do You Love Me?

by B. A. YOUNG

Do You Love Me? is Edward Petherbridge's second bite at the psychology of R. D. Laing. The original work has been turned into something like a circus performance, with music, dancing, knockabout turns, cross-talk duos and so on. It shows off the merits of the players better than the merits of Dr. Laing. Perhaps one should familiarise oneself with his text first.

The company are divided into couples, described as elegant (John Harding and Ann Firbank), inelegant (Tenniel Evans and Brenda Peters) and young (Martin Connor and Ann Hasson). Mr. Petherbridge himself acts as compere, and Rosie Kerslake presides at what is known nowadays as "the keyboards."

Pointless to describe each of the routines. We begin in what seems to be an art gallery, but the only items on exhibition are a sleeping attendant and a bicycle, both later brought into service. I remember with special pleasure a demonstration of the eternal triangle in terms of what looks like a Stanislavskian exercise with an imaginary rope, accompanied surprisingly by the slow movement of Schubert's C major quintet. I enjoyed too another version of the same theme with clockwork dolls.

Other pieces, alas, spoke less clearly. I felt that I had been expected to prepare myself, whereas the object of such a demonstration must surely be to make Dr. Laing's ideas clear without our having to refer to the text. However, all that was done was done remarkably well, as well indeed as you would expect from this protean company. Martin Duncan's music is delightful, its basically popular style tinged now and then with a hint of Debussy; Rosie Kerslake sings "St. James's Infirmary" with a white objective approach that emphasises the pathos of the final words better than any display of sobs and tears (though I suspect that overt emotion is anathema in this show).

The long dialogue beginning with the title "Do you love me?" which is spoken both at the beginning and the end of the evening, may seem like deep psychology to our psychology-conscious age; but by chance I have just been re-reading Anthony Powell's *Venusberg* and it strongly suggests one of the conversations between Lushington and Frau Mavrin in that book.

Festival Hall

Günther Herbig

by MAX LOPPERT

Of Wednesday's singularly uncouth Beethoven G major Piano Concerto, in which the soloist Tamas Vasary pursued his familiar genteel style (stubbing his toes in an unfamiliar and unexpected manner along the way), and the East German conductor Gunther Herbig pursued a less familiar but quite different style, with the Philharmonia Orchestra marooned somewhere between the two, memories have been almost banished by Mr. Herbig's masterly direction of the Bruckner Seventh Symphony after the interval. All the rehearsal time appears to have been spent on the symphony, to judge from the definiteness of interpretative idea translated into execution. As this was a Royal Philharmonic Society concert, and the bust of Beethoven was as usual glowering over the proceedings, the slight to his music was notably undiplomatic; but, even in a month full of Bruckner performances on South Bank, this reading of the E major symphony was of exceptional breadth and refinement, so a kind of harmony was restored after all.

Of the many different ways of approaching the mystery and the radiance of this wondrous work, a concentration on expertly moulded and proportioned phrasing is one of the most beautiful; but the danger it most often incurs (as the records of Karajan, master Bruckner phraser, bear out) is an over-exquisiteness of manner that deflects attention from the matter. Once or twice—above all in the F sharp major Moderato section of the slow movement, with the curls and the tendrils of string melody laced together with the decorum of a courtly minuet—Mr. Herbig and the orchestra ran into this sort of danger. Mostly, however, the long melodic lines were not only lovingly delineated, but linked into long, expansively Brucknerian paragraphs by a choice of tempo and a skill in its adjustment that were unerring in their perceptiveness.

But beyond the eloquence with which the lines were drawn, this was a performance that won responses on many levels. In moments of sensuous beauty it was rich: though not perfect or even in every detail the playing had at its best the fullness, the ripe glow at dynamic levels and pitches high and low, of the finest Philharmonia Bruckner. (The peal of the Wagner tubas and horns in their final C sharp major benediction was a sound that lingered on well into the movement break.) In feeling for the architecture of individual movements it was strong, with special sensitivity to the relation of the Trio's lyrical relaxation and the broad adventure of the Scherzo as a whole. And in movement from beginning to end it was sure: the fourth movement so often the let-down of Bruckner Seventh performances, a series of nervous, flickering and restless jabs after the earlier movements, was revealed here as the summary and climax of the whole conception, end and beginning in one.

ICA Theatre

The Hardman

by MICHAEL COVENEY

The hardman in this stunning new play, imported from the Edinburgh Traverse, is John Byrne, a graduate of the Glasgow mean streets for whom violence is an art form practised for itself. Or at least that is how Byrne in his fightier moments sees his activity of slashing faces as if let loose in a nightmarish, Celtic re-run of *Guys and Dolls*.

The script, by Tom McGrath and Jimmy Boyle, splits into two individually memorable halves: the detailed background of life in the Gorbals presented with a fierce economy and passion redolent of Steven Berkoff's London romance *East*, while, after the interval, we witness the systematic reduction of a caged criminal to a level of bestial, poetic impotence.

It is an uncomfortable story told with harrowing deliberation. It is John Byrne's story, from his point of view, and the one-sidedness of it is correctly pointed out to the audience in the final line of the play. Byrne is a stage representation of a real hardman, Jimmy Boyle, the co-author and current resident of the Barlinnie Prison Special Unit in Glasgow. This is important information, but irrelevant to the sheer tidal wave of theatrical energy generated by a production, credited to Peter Lichtenfels, Ian Ireland and Tom McGrath.

In the first half, Byrne cuts his way through a beautifully parodied Glasgow underworld complete with knowing local characters, bird-brained side-kicks and a couple of gossiping housewives who always knew he would come to no good. The exhilarating, irresistible power of Peter Kelly's performance as Byrne ensures the logic of following this memorably rich social tapestry with the terrifying concentration of imagery in the second part, where, after a series of violent confrontations with his janitors, Byrne is incarcerated before our eyes and compelled to match his fate against that of a fly finding refuge in his own excrement. Byrne reaches for the bowl and smears his body in dung.

Any bald summary of the play's contents is liable to either sensationalise them or render a reviewer's recommendation unpalatable. I can only report that I have experienced the most moving play of the year and that the entire production sets standards in this sort of social, realistic drama I cannot imagine being matched in a long time.

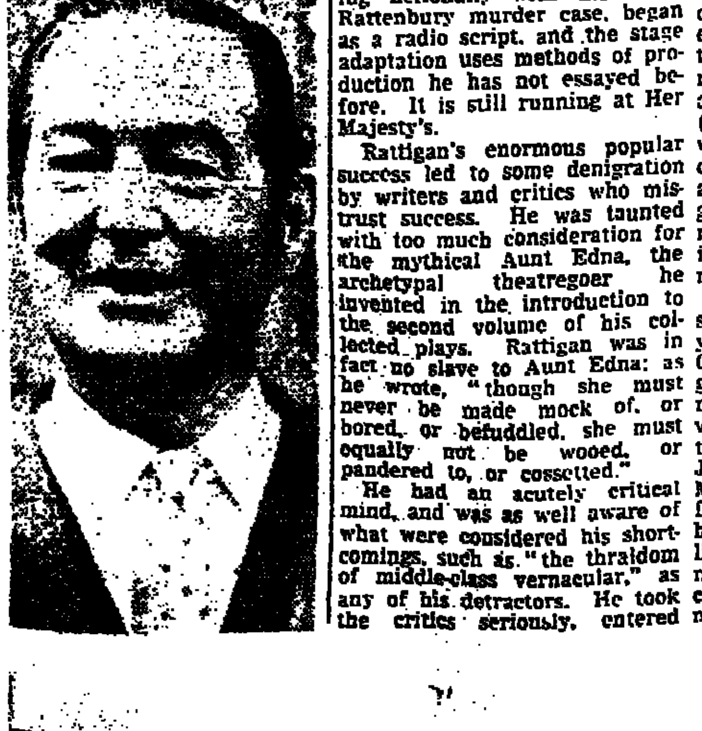
In addition to the brilliant work of Mr. Kelly there are precise and mercilessly accurate contributions from Martin Black, Ian Ireland, Jimmy Kennedy, Frances Low, Eileen Nicholas and Benny Young. If that sounds like a roll-call of honour, you had better believe it. And catch the best evening of theatre currently on offer in London.

Sir Terence Rattigan

Sir Terence Rattigan died at his home in Bermuda on Wednesday after a long illness.

Terence Mervyn Rattigan was a compulsive playwright from his schooldays at Harrow. Reading history at Oxford in preparation for a life in the Diplomatic, his interests were mainly in the theatre, and the fact that his first five plays were refused by the managements did not discourage him from a decision to exchange the Diplomatic for a career as a playwright.

His first professionally produced play was *First Episode* in 1934, when he was 22. Two years later came *French Without Tears*, an astonishing success, but not a passport to immediate immortality; the two plays that followed were failures, and the next winner came in 1942 with *Flare Path*, written when the author was serving as an air gunner in the RAF.



From that point on, plays came out with amazing fluency, nine of them in the next 10 years. Declining to stick to the formulae that had won him his early triumphs, he experimented with such work as the underrated *Adventure Story* about Alexander the Great, and enlarged the range of his emotional grasp in *The Browning Version* and *The Deep Blue Sea*. After *Separate Tables* in 1954, the pace slowed a little and Rattigan began to free himself from the predominantly domestic dramas he had used most freely. *Ross* investigated the mystery of what really happened to Lawrence in Arabia; *Man and Boy* referred obliquely to Ivar Kreuger; *Bequest to the Nation* dealt with Nelson and Lady Hamilton. In a more recent piece, *In Praise of Love*, he returned with success to his more familiar manner. His latest play, *Cause Celebre*, dealing fictionally with the Alma Rattenbury murder case, began as a radio script, and the stage adaptation uses methods of production he has not essayed before. It is still running at Her Majesty's.

Rattigan's enormous popular success led to some denigration by writers and critics who mistrust success. He was taunted with too much consideration for the mythical Aunt Edna, the archetypal theatregoer he invented in the introduction to the second volume of his collected plays. Rattigan was in fact no slave to Aunt Edna: as he wrote, "though she must never be made mock of, or bored, or befuddled, she must equally not be wooed, or pandered to, or cossetted."

He had an acutely critical mind, and was as well aware of what were considered his shortcomings, such as "the thraldom of middle-class vernacular," as any of his detractors. He took the critics seriously, entered into discussions with them, but declined to allow them to influence his work.

Recent revivals even of frivolous plays like *While the Sun Shines* have revealed anew the craftsmanship that went to their composition, and extracted praise from some of the former detractors. The weakness of his work lay in this, that although he could depict the outward manifestations of conflict and suffering with a trenchant exactitude, he lacked a true understanding of their causes. It may be argued too that even when his characters were fitted out with such names as Alexander or Lawrence, there was usually in them a basic substance drawn as much from his observation of his friends as from the intense study he gave to his subjects. His friends were innumerable, devoted and mostly prosperous.

His work for films, always competent, was circumscribed by the demands of producers and directors who had to worry more than he did about popular success. His scripts were technically masterly, however; and he had an instinctive grasp of the needs of television too, as he showed in his first play written directly for that medium, *The Final Test*.

He was awarded the CBE in 1958 and knighted in 1971. He was unmarried.

B.A.Y.

Festival Hall

Nicholas Danby

If I enter an organ recital with trepidation, it is because organists' ears are not normal ears. Reaching for their mutation or mixture stops, they are ready to double a melody high above at an irregular interval (I mean, other than the octave), with an effect which would be called excruciating if heard from an orchestra. Only once, I am glad to say, did Nicholas Danby reach this point of torture during Wednesday's early evening recital.

It was the last in the current series presented (for yet another year) by the Greater London Council. Given an all-Bach programme, a sizeable audience was naturally attracted. Yet I doubt whether Mr. Danby, who has for ten years been organist at the Jesuit Church in Farm Street, Mayfair, would wish this performance to be considered as his best testimonial. In the familiar *Toccata and Fugue* in D minor, the rhetoric did not quite come off; and if the opening movement of the *Trio-Sonata* No. 6 is meant to delude us into supposing that the feet can be as nimble as the hands, Mr Danby did not sustain the deception.

The long chorale-partita on *Sei gegrusset, Jesu gutig* was the centre-piece of the programme. To omit one of the movements can hardly be called wrong in a context of what we know historically about baroque variations, but I think it a pity. At the very least the programme-annotator ought not to have been allowed to mislead the audience. I found myself moderately responsive during this piece, but enraptured with Mr. Danby's playing of the chorale-prelude on *Wir gualben all' an einen Gott*: style and material here were one.

The *Prelude and Fugue* in B minor was also convincingly delivered as an end to the recital, but the whole left me wanting to hear Mr. Danby in a greater variety of composers.

ARTHUR JACOBS

EUROPEAN NEWS

General strike wins only limited support in France

BY DAVID CURRY

PARIS, Dec. 1.

THE GENERAL strike called by three of France's main unions to protest against the Government's economic austerity programme received very patchy support to-day.

The main impact of the strike was in a limited number of public sector enterprises. The Electricity Board estimated that just over half its work force had joined the protest and there were power cuts morning and afternoon in many parts of the country affecting both domestic users and industrial production.

The French railway system got way only between a third and half its main line trains and less than half its suburban services. The Paris regional transport system, in which the moderate and non-striking union Force Ouvriere is strongly represented, never fell below 70 per cent. of normal frequency on the underground and buses.

The Education Ministry estimate that two-thirds of primary school classes had to be cancelled as teachers responded to the left-wing Federation de l'Education Nationale's strike call. Secondary schools were hit less severely.

About a third of workers in the postal services stayed away from work.

However, these sectors apart, the strike called by the Communist supporting CGT, the Left-wing Socialist leaning CFDT, and the teachers' union was followed very half-heartedly. The only serious disruption at the Renault motor company, for example, was at the Berliet lorry plant in Lyon already affected by discontent over redundancy. The employers' organisation, the Patronat, reckons that only 10-15 per cent. of workers in private industry failed to turn up.

While dockers proved generally militant, steel workers in the North and East stayed on the job for the very good reason that December 1 is a special festival day in the industry on which workers are paid triple time.

No national newspapers were published this morning but this is a relatively frequent occurrence given the traditional bloodymindedness of the print unions. Television services were minimal.

Although the unions said they were pleased with the response, and the Government, equally predictably denounced the strike as "political," it was generally agreed that to-day's protest had none of the enthusiasm of last May's one-day strike in which all the leading unions, moderate and militant, participated.

Partly, of course, the arctic temperatures over much of France froze enthusiasm for the slow shuffle through the streets which demonstrations usually involve.

However, the break-up of the Socialist-Communist Union of the Left and, with it, the destruction of the conviction that the Left was cruising inevitably towards a general election victory next March, combined with the certainty that Prime Minister Raymond Barre would be completely unmoved by the protest certainly deflated the impact of the demonstration.

In Paris, demonstrators took up the whole length of the Boulevard Voltaire between the Place de la Nation and Republique, but the column lacked any unifying theme or slogan.

Soares to gamble on vote of confidence

By Diana Smith

LISBON, Dec. 1.

PRIME MINISTER MARIO SOARES is about to take the greatest gamble of his political life. Having failed to get voluntary consensus from his opponents on crucial economic policies, he will ask Parliament for a vote of confidence.

Mr. Soares' call for confidence goes to the speaker to-day. Debates will begin early next week and last for two or three days. "If the Opposition says 'No'," the Prime Minister said in an interview on Portuguese television last night, "they must offer an alternative. Those who vote against us must shoulder their national responsibility. Parties to our right seem to be trying to bring us down, so I assume they think they can govern. If they can't, they'll drag the country into an impasse which only new elections can solve."

The Prime Minister made it clear he had been forced to put his Government's head on the block because the Social Democrats, Portugal's second-largest party, and Christian Democrats had been pushing for a coalition for the last two or three months.

"We had the courage to resist blackmail from the far Left in 1975," he said. "We can resist blackmail from the extreme Right now." Mr. Soares hinted that, although parties to his Right called themselves "centrist," statements by some of their leaders "were more extremist than centrist."

A vote of confidence—or no confidence—was urgent, he said, because negotiations must be resumed with the IMF on standby and medium-term credits before the end of December, to save Portugal from drawing on her gold resources, and the 1978 budget and Government plan must be dealt with.

Response from the Social and Christian Democrats to his statements last night was blunt.

"As far as we are concerned," a Social Democrat spokesman said, "negotiations are closed." This appears to confirm the received view that the party will vote against the Government next week. Christian Democrat spokesman said: "Time will tell how we treat the challenge."

The Communist Party, the most conciliatory group in terms of a common policy, has indicated that an "aye" vote for the Government would not be free of charge—which could make it difficult for Mr. Soares to persuade the Portuguese that he can accept Communist Parliamentary support while steering clear of the "Union of the Left" which he rejects.

ITALY'S PATTERN OF VIOLENCE

A threat to coalition and democracy

BY PAUL BETTS IN ROME

IN PIAZZA COLONNA in the heart of Rome yesterday shopkeepers started pulling down their metal screens as police vans and armed policemen swooped down into the square. A guard remarked off-handedly that some "fascisti" were about to hold a demonstration. Many passers-by seemingly showed little interest in the proceedings. To them, it all looked familiar.

The course of violence and social unrest in Italy has now reached a crisis point. They also appear to follow a well-defined pattern. Take the events of the past 48 hours. In the southern city of Bari a Communist youth was stabbed to death by a gang of Right-wing extremists. An eruption of Left-wing protests followed in the streets of several major Italian cities, marred by acts of vandalism and violence. In Bari clashes between extremist groups and police were particularly fierce. It was now the turn of Right-wing groups to take to the streets.

Yesterday the atmosphere was charged with tension in Bari for the funeral of the young Communist victim of the Neo-Fascists. There was tension too in the northern city of Turin, where another funeral took place—that of Sig. Carlo Casalegno, deputy editor of the Turin newspaper La Stampa, who was the target of a brutal attack by Left-wing terrorists.

This pattern of violence has been recurring with sinister regularity over the past months.

In October a member of the Leftist extra-parliamentary movement "Lotta Continua" was shot by a Neo-Fascist gang. In the disorders that inevitably followed in other cities a young barman was fatally injured in Turin. At the same time the Left-wing extremist "Red Brigade" movement, which reputedly has links with the West German Baader-Meinhof group, has launched what is tantamount to a concerted terrorist campaign against Christian Democrat officials and institutions.

In this climate of political violence, which according to the Interior Minister, Sig. Francesco Cossiga, has seen some 450 terrorist attacks this year in Italy, and has on the whole been equally shared out between Right and Left-wing extremists, there is also phenomenon of ordinary criminality, weekly kidnappings and the ever-present Calabrian and Sicilian Mafia.

In a sense the two are linked. For while non-political criminality is often rooted in a great deal of human misery, social deprivation, migration or simple greed, it is at the same time exploited by the political extremist fringes as is the frustration and despair of a growing number of unemployed young people.

On several occasions this year, during mass demonstrations in different cities that have generally degenerated into violent clashes, I have seen the same small groups of provocateurs who can turn a peaceful rally into a riot. They are often unconnected with ideologies. On the whole they are what is popularly known as "rent-a-gang."

This breakdown of law and order has now put renewed pressure on Sig. Giulio Andreotti's fragile minority Christian Democrat Government. The latest stabbing in Bari, however, has also put pressure on the large Communist Party. And while the political authorities have repeatedly voiced their intentions to adopt tougher law and order measures, the situation has continued to worsen.

To some extent the Christian Democrat Administration, maintained in power through the so-called inter-party agreement on a common government programme, has to all intents and purposes been strait-jacketed by resistance on the part of the Left-wing parties to agree on measures which might make them appear sympathetic to a "policy of repression." Against this political background, in which the State appears unable to ensure the proper administration of law, crime and political violence thrive.

For the Communists, who have always been relatively weak in the south and where they are striving to increase their electoral support, the Bari incident and the subsequent Left-wing reprisal could be an added source of concern, because it might force the party to define more clearly their stand on law and order—all the more so in the light of the Left-wing-inspired anti-Communist violence of recent months.

It is, in effect, not only a political problem. It is a sociological and cultural one. It could be summed up in the old hang-up of Mussolini's Fascist era. The Left still lives under the shadow of the years of Mussolini's dictatorship. It would not be an exaggeration to call it a pathological obsession to protect the country against a return to Fascism. For 30 years now a whole new generation has been brought up with this concept of custodianship of democracy.

The threat of widespread redundancies following the current crisis in industry, particularly in key sectors like chemicals, fibres and steel, has put the unions in a state of alarm which threatens the useful six-month-old government-union truce. The closure of some plants in traditionally high unemployment regions like Naples, Calabria, Sicily and Sardinia could now put pressure on the unions to revise their characteristic (if officially denied) stand of largely defending the employed rather than the unemployed with a traditional bias for the wealthier north.

To-morrow, in effect, some 100,000 members of the mechanical workers' union will take to the streets. Their slogans will echo a familiar refrain: An industrial recovery programme and a halt to violence. In the same way the great mass of students, faced with no real job prospects, express their frustrations in the street. Often, the vandalism and violence that stems from their protests are another way of saying: "We are unemployed." More often, they are exploited by the extremist fringes. And so the vicious circle of social unrest, crime and politically inspired violence is complete.

Herr Helmut Schmidt, the West German Chancellor, and Sig. Giulio Andreotti, the Italian Prime Minister, meeting yesterday in Verona, Italy reassured each other that the friendship between their two nations was as solid as ever, Reuter reported. A spokesman for the West German Government, Herr Klaus Boelling, said the two leaders conducted a thorough analysis of West German-Italian relations, East-West disarmament talks and international efforts to fight terrorism. Herr Boelling said the two leaders agreed that their governments have not been concerned by the "small atmospheric turbulences" in their relations.

Belgium supports franc, denies it will quit 'snake'

BY DAVID BUCHAN

BRUSSELS, Dec. 1.

THE PRESENT bout of sporadic strains inside the European "snake" joint currency float continued to-day when the Belgian National Bank sold a reported DM25m. to support the Belgian franc. The franc closed at this afternoon's Brussels "fix" at its floor against the deutschemark. After a restricted cabinet meeting last night, the Finance Minister, M. Gaston Geens, said that Belgium had no intention of leaving the snake.

But his statement coincided with the release of figures showing that support operations between November 21 and 28 cost the National Bank B.Frs.6.5bn. (£103m.). This was made up of B.Frs. 1.5bn. from foreign exchange reserves, and nearly B.Frs.5bn. borrowed from other central banks through the FECOM snake support organisation.

Belgium still has large foreign exchange reserves of B.Frs.105bn. Government officials maintain that it is only the fall in the dollar, and the consequent rise of the deutschemark that is causing the strains on the snake. There is nothing wrong, they say, with Belgium's "real economy" that would justify pressure on the franc. But Money market sources point out that Belgium's inflation rate is still higher than Germany's and there is a small but growing deficit on trade.

Pope seeks Gierek help for Church

VATICAN CITY, Dec. 1.

POPE PAUL to-day told Mr. Edward Gierek, the leader of the Polish Communist Party, that the Roman Catholic Church was ready to make a positive contribution to Polish society but asked in return for the right to develop without obstacles.

The Pope, in what was seen as a veiled reference to demands by Polish bishops for freer religious education, told Mr. Gierek that Church-State co-operation in Poland could be much more effective if "other factors" which favoured high moral standing in education, schools and state institutions, were realised.

Mr. Gierek's private audience, which lasted 80 minutes, came at the end of a four-day official visit to Italy.

He can expect a welcome boost to his standing at home as a result, as his audience was only the second to be granted to an East European Communist Party leader.

Reuter

Bonn bids for U.S. tank order

BY JONATHAN CARR

BONN, Dec. 1.

WEST GERMANY is negotiating with the United States for an anti-aircraft tank order which could amount to more than DM1.3bn.

A spokesman for the Munich-based manufacturer, Krauss Maffei, said to-day that the sale of 188 A-A Gepard tanks was under negotiations. The cost of each in West Germany was around DM7m.

A W. German Press report from Washington had earlier suggested that only the anti-aircraft system in the tank was involved. But the spokesman said that the negotiations, chiefly between the Bonn Defence Ministry and the Pentagon, involved the whole tank.

If the talks were successful, it was believed the Gepards would probably be used by the U.S. Seventh Army in Europe, but it was not clear when the contract might finally be secured.

Should Krauss Maffei win the order, it would be another feather in the cap of West Germany's leading tank producer. Krauss Maffei is already producing the Gepard for the Bundeswehr and is delivering 150 others to the Netherlands and Belgium over the next few years.

The company also builds the Leopard 2 tank, which it was once thought might form the agreed basis between the West Germans and the Americans for a single model of battle tank for the 1980s. The aim is now simply to reach accord on "maximum possible standardisation," with West Germany still hoping at least to supply the gun and tracks.

Thin time for electrical industry

BY GUY HAWTIN

FRANKFURT, Dec. 1.

WEST GERMANY'S electrical industry had a thin time during the first three-quarters of the year. Demand, which was not particularly strong last year, has remained slack and there has been no improvement since the traditionally weak summer period.

During the first three-quarters of the year, demand for electrical goods remained in real terms 4 per cent. beneath that of the comparable period in 1976. Despite a slight improvement in the business climate and in industrial orders, the situation in the capital goods industry is worsening. This follows a year in which the bookings for electrical consumer goods declined by 2 per cent.

According to Dr. Hans K. Goehringer, president of the Central Association of the Electro-Technical Industry (ZVEI), demand for capital investment goods remained at 4 per cent. below the level for the previous year. The order book in March was sufficient to keep the industry working for 4.9 months. However, by September, orders were only sufficient for 4.4 months of operation.

Utilisation of capacity in the industry averaged out at the "very low level" of around 75 per cent. This meant that more than half of the companies operating in this sector had an order book that was far too small.

Real production growth in the industry had slowed from 1976's 9.5 per cent. to 5 per cent. during the opening nine months of 1977. The growth rate was not expected to exceed the 5 per cent. mark because no extraordinary improvement was foreseen. The industry will almost certainly, therefore, fall short of its forecast of a 6 per cent. growth rate.

New Dutch cabinet in office 'next week'

By Michael van Os

AMSTERDAM, Dec. 1.

HOLLAND'S NEW centre-right Government should move into office in the second half of next week, political circles in The Hague is expected today. This follows agreement between the Christian Democratic Party and the right-wing VVD Liberal Party on the sharing of cabin ministers and state secretaries.

After the earlier outline agreement on policy for the next four years, it was stated to-day that the CDA will supply 10 ministers, including the prime minister, and the VVD six. The parties will supply nine and five state secretaries respectively. Only the names and portfolios still have to be announced but this is not expected to pose problems.

Political observers remain sceptical, however, whether the shaky coalition will spend long in office. It commands only 77 out of the 150 Parliamentary seats—CDA 49 and VVD 28. This is regarded as a scarcely workable majority in the Dutch political set-up, especially as the six Leftist "dissidents" in the Christian Democratic Party cannot be expected to back the coalition all the time. The support of right-wing splinter groups who command another six seats in Parliament will be essential.

It was reported from the Hague to-day that the swearing-in of the new coalition may take place when the outgoing Socialist premier, Mr. Joop den Uyl and his foreign minister, Max van der Stoel, return from the two-day Common Market meeting starting in Brussels on Monday.

Meanwhile, the majority of the Dutch trade union movement has attacked the establishment of the new cabinet and its planned policies, saying that it did not enjoy the support of those who voted on May 25 to keep in office the outgoing Social Democratic/Christian Democratic coalition. Such a cabinet would have commanded 110 seats in Parliament.

The new Dutch Prime Minister is expected to be Mr. Andries van Agt, although he still has not said he would accept the office. He is Deputy Premier and Justice Minister in the outgoing cabinet.

Turkey devalues lira by 3.4%

BY OUR OWN CORRESPONDENT

ISTANBUL, Dec. 1.

TURKEY DEVALUED the lira against the pound to-day by 3.4 per cent. The central bank fixed the new buying rate at 34.70 lira to the pound, up from 33.55.

Three other currencies were adjusted—the Deutschemark, up from 8.27 to 8.60, the Swiss franc, up from 8.06 to 8.85, and the Canadian dollar, down from 17.91 to 17.46.

Central Bank officials said the adjustments were made because of the four currencies' fluctuation against the U.S. dollar, to which the Turkish lira is pegged.

Turkey also revealed to-day the draft of its 1978-82 five-year development plan—a balancing to appease IMF demands for curtailed spending and the National Salvation Party's insistence on rapid industrialisation.

The IMF wants Turkey to freeze its growth rate, which last year was 7.2, at 5 per cent. annually as one of the conditions for an immediate $110m loan plus $200-$300m. credit next year to help Turkey to pay its overseas debts.

But the National Salvation Party, the second largest partner in Turkey's ruling three-party conservative coalition, has demanded a growth rate of 8.5. The draft of the plan mentions no growth rate, although all its components are aimed at an increase of 7 per cent.

● Turkish television viewing time was cut from tix to four hours daily from yesterday in the Government's latest move to save power. Daily power cuts have been in force throughout the country for some months. The shortage is due to miscalcution of the country's energy needs, an absolute and leaky grid and inability—because of a foreign exchange shortage—to import oil and spare parts on time.

Norway state body might have to take over ships

BY FAY GJESTER

OSLO, Dec. 1.

NORWAY'S State-backed Guarantee Institute for Ships and Drilling Rigs, which has helped crisis-hit Norwegian shipowners by guaranteeing loans with ships as security, could be forced to take over and operate some of these ships if owners default on their loans, according to the Institute's manager, Mr. Haakon Nygaard. This would in effect create a state-owned shipping company in Norway.

In an interview to-day with the Oslo newspaper Arbeiderbladet, Mr. Nygaard said he hoped that the world's independent tanker owners would co-operate to force rates up, so that this hypothetical situation could be avoided.

At present, he pointed out, the oil companies could force prices down because the supply of tonnage exceeds demand. At the same time, they were steadily strengthening their position by selling off the oldest tankers in their own fleets and buying new ships from hard-pressed independent owners, at bargain prices — "picking the flowers in the market," as he put it.

Co-operation between the independent owners would put "some protective fences around the flowerbeds" and strengthen the owners' position in negotiating rates with the oil companies, he said. He was hopeful that this kind of co-operation could be achieved and added: "The first step must be to establish a Nordic bloc—and I'm optimistic about this, too. We will, I hope, have come a long way by the end of this year."

M. Nygaard said that of a world tanker fleet totalling 325m. d.w. tonnes, the international oil companies owned 115m. tonnes and the independent owners the rest. But of the independent fleet, 50m. tonnes were operating on the spot market, where tonnage was in over-supply. An agreement between the independents to take some of this surplus tonnage off the market could help push rates up.

The Institute alone controls 7m. of the 50m. tonnes spot fleet, Arbeiderbladet pointed out.

Westinghouse deal

Westinghouse Electric Corporation said it and a Brazilian partner have received from a Brazilian utility a contract valued at about $16m. for four hydroelectric generators, AP-DJ reports.

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U.S.-Iran arms sales 'open to corruption'

By Jurek Martin

WASHINGTON, Dec. 1.

A STUDY commissioned by the Pentagon has concluded that there are endless opportunities for bribery and corruption in connection with U.S. military sales to Iran because of the lack of any enforceable legal restraints.

A censored version of the study released by the Defence Department suggests that there is little deterrent to such conduct: "The past conduct of U.S. corporations seeking multi-million dollar contracts," the report says, "indicates that the stakes are so high and the temptation so great that they will continue in the future to pay agents, which can be shared by Iranian officials."

The study, prepared by Mr. R. Kenley Webster, a Washington lawyer and former Defence Department official, complains that there is a "law enforcement void" in Iran that renders detection and prosecution difficult in the extreme.

"This situation is complex in view of prevailing Iranian customs, the role of the Shah and the lack of a clearcut Iranian legal position."

The report regrets that no serious attempt has been made by U.S. authorities to examine the applicability of U.S. laws or the jurisdiction of U.S. courts over the problem. Moreover, the report says the military has usurped control of arms sales to the extent that the U.S. State Department's attempts to stamp out corrupt practices had been futile.

In a response to the study, the Pentagon argued that U.S. investigators had no authority to look into arms purchases once property title had been transferred to Iran. Theft or fraud of such items in Iran is theft or fraud against the Government of Iran, the Defence Department said.

SEC to reconsider plan for off-floor equities trading

BY JOHN WYLES

NEW YORK, Dec. 1.

THE SECURITIES industry has persuaded the Securities and Exchange Commission (SEC) to reconsider its proposal to clear the way for equities trading off the floor of the New York Stock Exchange (NYSE).

The first indication that the NYSE would not be forced to abandon on January 1 its Rule 390, preventing its members from trading listed stocks off the floor of the exchange, was given to-day by Mr. Harold Williams, the SEC's chairman, in a speech to the securities industry association (SIA) annual convention in Florida.

Mr. Williams conducted hearings in Washington in the summer at which the SIA and many individual securities companies warned of the fragmentation and probable break up of the traditional auction market system of equities trading if Rule 390 were to be sacrificed without any related moves to create a national market for trading.

The validity of this point was acknowledged in Mr. Williams' speech. He said that the SEC's broad commitment to create a national market could not be distorted "by quick decisions or narrow dispositions of particular issues considered in a vacuum."

However, the securities industry may as yet have won only a breathing space and not a reprieve. An SEC official confirmed that the January 1 deadline had been scrubbed but stressed this morning that the SEC had not yet abandoned the notion of removing Rule 390 as a first step to increasing competition in equities trading. But he said that the SEC was now examining the desirability of making the move as part of a coherent plan for creating a national market.

The SEC was rebuked by Congress earlier this year for not being sufficiently positive in pushing a national market policy over the objections of the securities industry. Its decision to—at the very least—postpone removing Rule 390 has been eased by the fact that a number of leading Congressmen have been persuaded of its dangers by the securities industry.

The SEC's proposal, made last June, has been a powerful catalyst for change on Wall Street this year. It has been a factor in all of the mergers taking place as brokerage houses have sought to broaden their capital base to be in a stronger position to make markets in listed securities once the NYSE rule disappears.

At the same time, the NYSE has sought to deflect congressional criticisms of foot-dragging on the national market concept by agreeing in principle with several other exchanges to create an electronic link next March that would enable investors more efficiently to obtain the best available price for a stock.

BP joins search for oil off Falkland Islands

BY HUGH O'SHAUGHNESSY

BP REVEALED yesterday that it was one of the sponsors of the seismic surveys being carried out as part of the search for oil in the waters off Argentine Patagonia and around the Falkland Islands. The area is seen by many in the oil industry as a potential source of very large quantities of hydrocarbons.

The British Foreign Office commented that, as on previous occasions, data on the oil potential of the area would be exchanged with the Argentine Government which claims sovereignty over the Falklands.

Apart from BP, many other large international oil companies are keenly interested in operating in the region, according to industry sources.

Britain and Argentina are to hold a new round of talks on the Falklands in New York from December 13-15. The British delegation is to be led by Mr. Ted Rowlands, a Foreign Office Minister, and the Argentine one by naval Capt. Gualter Allara, the Fireign Ministry Under-Secretary.

Falkland islanders will not be directly represented at the discussions. But, after the talks are over, Mr. Rowlands will meet a representative from the colony in Rio de Janeiro.

After a closed session of the Falklands legislature last month, leaders of the islanders decided not to press for direct representation at the talks in New York.

U.S. BUSINESSMEN'S IDEAS FAMINE

Looking for a fall guy

BY JUREK MARTIN, U.S. EDITOR

AMERICAN BUSINESSMEN like to criticise the Carter Administration for being responsible for the current "climate of uncertainty," which, everybody agrees, militates against achieving the desired goal of greater capital investment.

There is an element of politics in this, a traditional pitting of generally Republican executives against any new Democratic Administration. But so much has been heard about "uncertainty" in the last few months that it has become reasonable to assume that something substantial, over and beyond political games, is amiss.

This may well be so, irrespective of the relative vigour of the U.S. economy, but the fruits of a gathering of nearly 500 businessmen in Chicago on Tuesday came close to prompting a different and cynical conclusion: that if the Government is indeed floundering in search of an economic policy, then the Boardrooms of the nation would not recognise one if it were presented on a silver platter.

The conference was staged by Continental Bank, the prominent Chicago-based institution, under the rather grand banner "Capital formation: what will to-morrow cost?" The audience, mostly derived from the industrial hinterland, heard William Simon and Paul McCracken, Treasury Secretary and Economic Council chairman, respectively, in the Nixon and Ford Administrations, George Ball from Lehman Brothers, for seven years a Democratic Under-Secretary of State, and a fistful of bankers and businessmen addressing themselves to the corporate malaise of inadequate investment.

The trouble was that both the diagnoses and the proposed cures amounted to the most well-worn of remedies. Everybody agreed that corporate profits were too low, taxes and inflation too high, that there was excess capacity in industry, that the tax consequences of the energy and social security programmes could not be calculated and that, in an insistent wail that permeated the whole session, bureaucratic regulation was grossly intrusive, consumerists a pain in the neck, and environmentalists even worse.

There are contradictions. Though Government should leave business to its own devices, it should simultaneously haul business's chestnuts out of the fire when they run the risk of being burned.

Professor McCracken, now of the University of Michigan, provided all the necessary retrospective facts and figures. The key statistics were telling: that the real purchasing power of retained corporate earnings this year will be roughly 30 per cent. below those of 1967 (itself a sluggish year), and that in the 1970s, the amount of capital invested per worker had been rising at only 0.9 per cent. per annum, compared with the 2.7 per cent. annual average from 1950 to 1970.

Everybody agreed that what was needed was, in a nutshell, corporate tax cuts and the imposition of severe shackles on the bureaucracy.

For good measure, and equally predictably, the businessmen agreed that they wanted sound fiscal and monetary policies (designed in part to ensure they were not "crowded out" of the credit markets by Governments financing ever larger deficits), the retention of Dr. Arthur Burns as chairman of the Fed, an energy policy that permitted the U.S. to produce much more indigenous oil and gas, and an end to the double taxation of dividends, retention of the preferential treatment of capital gains and a raising of the investment tax credit.

But there was an insistent contradiction to this conference that few people (Mr. Simon, Professor McCracken and Mr. Keith Potter of International Harvester excepted) seemed willing to broach. This is that, though Government should leave business to its own devices, it should simultaneously haul business's chestnuts out of the fire when they ran the risk of being burned.

Perhaps not surprisingly in Chicago, which has now supplanted Pittsburgh as the nation's steel capital, there was evident sympathy for the plight of the steel industry and a pervasive feeling that it was the Government's, not the industry's, fault that things had come to their present pass.

There were some words of realism, economic and political to be heard. Mr. Simon observed changing patterns in the Administration and Congress in favour of the provision of business incentives. But he felt obliged to warn that when the tax cuts came next year it would be unrealistic, in an election year, for business to expect to get more than one quarter of the pie. Though he thought, like everybody else, that one-third (worth some $6-7bn. on the most popular calculations) would be more desirable, with individuals getting the rest off personal income tax.

But it was hard to shake off the aura of sterility of ideas: the whole affair was best summed up by one rather puzzled questioner from the floor who asked Mr. Potter, of International Harvester, how it was that his company had been able, on the same day, to announce excellent corporate results and to be proceeding full tilt on its record five-year capital investment plan, all of it financed internally. Mr. Potter beamed briefly: "asset management," he replied, "superior asset management."

Brazil political reform

BY DAVID WHITE

RIO DE JANEIRO, Dec. 1.

GENERAL ERNESTO Geisel, the Brazilian President, to-day set his seal to a planned political reform which would dispose of the Institutional Acts, the set of draconian decrees by which the military regime, over the past 13 years, invested itself with sweeping powers.

The planned reform, which had already been floated by Government politicians, but not explicitly by the President, was announced by Gen. Geisel to members of the Government party, Arena, in a policy speech in Brasilia.

The prospect for a substantial degree of liberalisation from this new strategy is, however, subject to certain important restrictions. First, the President has set no date for the Institutional Acts to be repealed. Second, he has promised an alternative range of "safeguards" to be written into the constitution and give the Government powers similar to those which it has now, thus facilitating the over-riding of the legislative and judicial apparatus. Gen. Geisel said that adequate safeguards were needed to defend democracy and order. The 17 Institutional Acts introduced between April, 1964, and October, 1969, give the President power to suspend Congress, intervene in local administrations, withdraw the civil rights of individuals, sack elected representatives, soldiers and civil servants, and impose censorship and other curbs.

The most far-reaching of these powers are contained in the notorious Institutional Act No. Five, decreed in 1968, the year after a new Constitution was promulgated. The Act also suspends the guarantee of *habeas corpus* for political detainees.

Meanwhile, Sr. Ulysses Guimaraes, chairman of the MDB opposition party, was absolved yesterday by the federal Supreme Court of charges brought by the Government as a result of a television broadcast in June. The charges, which alleged that Sr. Guimaraes had broken election laws, were rejected unanimously by the ten justices.

The leader of the opposition in the Lower House of Congress at the time, Sr. Alencar Furtado, lost his seat and had his political rights removed as a result of the same broadcast—under Institutional Act No. Five.

Court move on Stevens

BY OUR OWN CORRESPONDENT

NEW YORK, Dec. 1.

THE U.S. National Labour Relations Board is to seek a court injunction against J. P. Stevens, the second largest textile manufacturer in the U.S., ordering the company to comply with laws governing the rights of unions to organise workers.

The move reflects the lengths to which the Board is being driven by the resistance of the company to efforts by the Amalgamated Clothing and Textile Workers' Union. The company has been found guilty of 15 violations of the labour law in the last ten years or so. A federal appeals court in New York argued in August that the company's conduct had raised serious doubts about the ability of courts to enforce labour law.

It is nearly 30 years since the Board last sought an injunction on a national application, and it was against a union. Announcing its first bid for a national injunction against a company, the Board said last night it feared that "without broad judicial protection, the union's efforts will be met by unlawful conduct that will effectively stifle the statutory rights of the employees involved."

The union has been trying to organise at Stevens for 14 years and the affair has assumed major political and industrial importance. Most of the company's 85 plants are in the south-east where union members make up barely 10 per cent. among 700,000 textile industry employees. Stevens is regarded by ACTWU as the key to organising the southern textile industry.

Moreover, the unions have been able to make sufficient political capital out of the Stevens affair to rally congressional support for a labour law revision bill which would remove some obstacles to organising and impose stiff penalties, including the denial of federal contracts, on companies which failed to comply.

Bahamas seek tourism growth

By Nicki Kelly

NASSAU, Dec. 1.

...00m. budget for 1978, which gives special emphasis on increased tourist promotion, has been tabled by the Bahamas Government. Tourism expenditure, already the highest in the world per capita, has been increased by 11.6 per cent. to ...m.

Showing the Government's confidence in the growth potential of this industry, the Finance Minister, Mr. Arthur Hanna, said that customs duties on certain tourist items have been substantially reduced to encourage spending by visitors. The Government has also established a trade and industry unit and ...s to make greater efforts towards attracting approved foreign investments.

... new taxes are planned, ... than the introduction of ... and professional ...

Argentine truck factory fire

By Robert Lindley

BUENOS AIRES, Dec. 1.

A FIRE which broke out shortly before midnight in the Mercedes-Benz truck factory at Gonzalez Catan, west of Buenos Aires, caused great damage and destroyed 8,000 square metres of the plant.

It took 35 brigades to bring the blaze under control, and one fireman was killed. The possibility of sabotage is not ruled out. A Mercedes Benz statement says only, "The causes are not yet established."

The blaze started in the basement of a warehouse in a storage space for tyres and completely destroyed the motor assembly section and the testing area. The truck assembly line also was damaged, as was the parts store. Nevertheless, Mercedes-Benz says that it will try to continue production of chassis for trucks and buses in the parts of the plant not damaged by the fire.

Vorster to press on with constitutional changes

BY QUENTIN PEEL

JOHANNESBURG, Dec. 1.

MR. JOHN VORSTER, the South African Prime Minister, to-day achieved his predicted overwhelming victory in the general election, with a substantial minority of English-speaking support, as well as massive support from the Afrikaaner community. The country's fragmented opposition parties emerged decimated in the contest.

The result was immediately interpreted by pro-Government commentators as condemnation of international pressure—especially that of U.S. President Carter—a mandate for constitutional change, and a personal vote of confidence in Mr. Vorster.

But the Prime Minister himself warned that the overwhelming support for the ruling National Party, and its policy of separate development, would increase international pressure, although it would also show the determination of white South Africans to resist any attack.

The National Party won 134 seats in the 165-seat Parliament—the highest number they have held in their 30 years of unbroken rule, and the largest-ever majority in S. African history. The combined opposition totalled 30 seats. The only opposition party to hold its own in the massacre was the most liberal Progressive Federal Party, which now becomes the official opposition with 17 seats in the 165-seat Parliament. The PFP still lost heavily in straight fights with the NP, but regained its strength at the expense of the middle-of-the-road New Republic Party, the spiritual successor to the former official opposition, the United Party.

The NRP held on to 10 seats, all in the conservative English-speaking heartland of Natal, but the party leader, Mr. Radclyffe Cadman, lost his own seat in a close vote with Mr. Ray Swart, national chairman of the PFP. The other party leader to be defeated was Mr. Myburgh Streicher, head of the South African Party, the most conservative group to emerge from the dissolution of the UP. However, his party did better than expected in winning three seats.

One of the most notable achievements for Mr. Vorster's party was the almost total destruction of the extreme Right-wing Herstigte Nasionale Party (HNP), all but two of whose 56 candidates failed to save their deposits, for the most part in straight fights with the ruling party.

The South African white electorate has thus effectively polarised between the NP on the right and the PFP on the left, offering a relatively clear-cut choice of prescriptions for the country's racial problems between the government's policy of separate development, with black aspirations restricted to tribal homelands, and a unitary State with a qualified franchise, as proposed by the PFP.

The immediate focus of attention is on the response of Mr. Vorster and his Cabinet to their victory. One of the principal appeals made by NP candidates in their bid to win over English-speaking voters was that a stronger government would be better able to introduce the social and political changes needed to defuse racial tension in the country.

A major statement is expected from the Prime Minister to-morrow. In his immediate response early to-day, he promised that the Government would first proceed with its proposals for constitutional change, aimed at setting up three Parliaments for the country's three minority communities: the whites, coloured people and Asians. In spite of the rejection of the proposals by the State-recognised leaders of both the coloured and Asian communities, Government Ministers have been adamant throughout the election campaign that they would go ahead with them.

The other arm of the Government's policy for improving race relations is a cabinet committee set up before the election to study the situation of the urban blacks. This committee, it was said, would review all the most detested legislation governing the life of urban blacks.

Opposition critics have suggested that Mr. Vorster is incapable of introducing any more than "morsels of minor concessions . . . token change," within the immutable framework of separate development. They point to the changes in the pass laws introduced shortly before the election, which appear to have simply exchanged the hated pass book for blacks with a "travel document" issued by the homelands, and containing much the same information.

On the issue of internal security, however, under the auspices of which most of the leading black urban leaders were detained in the middle of the election campaign, Mr. Vorster declared that he was not going to change his policy.

Any progress that the Government may wish to make in bettering race relations depends on its finding enough support in the black, coloured and Asian communities. Given the present atmosphere of unrest and the security measures, Mr. Vorster may find that support extremely difficult to win.

Steve Biko inquest

MR. SYDNEY KENTRIDGE, the lawyer heading the Biko family legal team, yesterday claimed security police were responsible for beating black leader Steve Biko to death, UPI reports.

Mr. Kentridge did not allege that Biko, who died of brain injuries, was "wilfully murdered . . . (but) we submit he was beaten and the person or people did not at the time care whether he was seriously injured or not."

Muzorewa boycotts talks with Smith

SALISBURY, Dec. 1.

PRIME MINISTER Ian Smith yesterday won agreement from two Rhodesia-based black groups to start talks in 24 hours aimed at a one-man, one-vote majority rule settlement.

But the other group invited to take part, the United African National Council of the highly popular Bishop Abel Muzorewa announced it would boycott the meeting.

It said it would stick to its refusal to talk peace until after December 8 following a period of mourning for the victims of the massive raids Rhodesian troops carried out in Mozambique last week.

Muzorewa has said those killed were mostly civilians who were massacred. But Smith, calling Muzorewa "misinformed," said the raids dealt the guerillas "a crippling blow." The Military Command has said more than 1,200 guerillas were killed.

Political sources said an acknowledgement of Muzorewa's demand would probably be forthcoming.

Mr. Smith said in an interview with the Rhodesia Herald, published to-day, that because of the "urgent need to make progress towards peace," it had been decided that the first talks between the Government and nationalist leaders would be held in Salisbury to-morrow.

It had been decided not to await the return of Mr. Sithole and that the ANC delegation would be led by his deputy, Dr. Elliot Gabellah.

● U.S. ambassador to the United Nations, Mr. Andrew Young said to-day that Cuba may find itself in worse trouble in Africa than the U.S. did in Vietnam.

"If 500,000 Americans, well equipped and well trained, could not dominate a tiny peninsula in Vietnam, there's no way that 20,000 or 50,000 Cubans are going to dominate Angola, or Ethiopia or Egypt or Somalia," he said.

Agencies

Sri Lanka in IMF loan row

By Mervyn de Silva

COLOMBO, Dec. 1.

A SHARP disagreement has emerged betwee Sri Lanka and the IMF over the new Government's economic policies which is holding up an IMF loan of about $375m.

The new Government was counting on the loan to support the 'floating' of the currency and measures to liberalise the economy announced in the recent budget. These moves were pressed by the IMF which evidently feels that the Government has still not gone far enough.

It is also recommending the dismantling of the system of administered prices, the removal of food subsidies and the cutting back of free education.

The holding up of the loan under the IMF's extended fund facility, and the letter of understanding that would go with it, inevitably diminish the chances of Mr. J. Jayawardene's ruling United National Party raising commercial loans.

The Government is rejecting the full IMF programme. But the opposition is already making play out of the concessions

Gandhi supporters quit Andhra Cabinet

By K. K. Sharma

NEW DELHI, Dec. 1.

THE FIRST open crack in the Congress Party's structure appeared to-day when five Ministers of the cyclone-ravaged state of Andhra Pradesh resigned from the Cabinet and plunged one of the major Congress-ruled states in the south into a severe political crisis.

The five Ministers resigned ostensibly to protest against the mishandling of relief measures by the Chief Minister, Mr. Venegul Rao, but they are known to be supporters of Mrs. Indira Gandhi

Begin will urge Britain to take softer line on Palestinian issue

BY RICHARD JOHNS, MIDDLE EAST EDITOR

JERUSALEM, Dec. 1.

MR. MENAHEM Begin, Israel's Prime Minister, flies to London to-morrow hoping to press the British Government to take a lower profile on the issue of the Palestinians and to counter—together with West Germany—France's more forthright stance within the context of the European Community on the need to satisfy their aspirations.

In this respect he will depart cheered by the success of Mr. Moshe Dayan, the Foreign Minister, in securing this week an undertaking from West Germany not to recognise the Palestinian Liberation Organisation (PLO) before it had acknowledged Israel's right to exist, and also a commitment from Bonn to support President Sadat's bold peace initiative.

Mr. Begin is prepared for frank disagreement on the question of territorial concessions on the West Bank. In spite of indications of a new flexibility from Mr. Dayan and Mr. Simha Ehrlich, Finance Minister, following Mr. Sadat's initiative, the Israeli premier is understood to be as adamant as ever in opposing renunciation of their eventual incorporation into "Eretz Israel."

Mr. Begin is also bracing himself for the demonstrations against him as the former leader of the Irgun Zvei Leumi of the kind which forced him to curtail a trip to the U.K. five years ago.

Personally he attaches great emotional importance to the respectability bestowed upon him by an official invitation made 30 years after he was the Jewish terrorist most urgently sought by the British authorities in the last days of the Palestine Mandate. He sees himself as following in the footsteps of Nehru of India, Makarios of Cyprus and Kenyatta of Kenya.

Mr. Begin, it will be recalled, was responsible for the blowing up of the Mandate administrative offices in the King David Hotel in 1946, which resulted in a death toll of 91, and the massacre of over 200 Arab villagers at Deir Yassin, at the start of the 1948-49 conflict, which was the main factor prompting the mass exodus of Palestinian refugees.

David Lennon adds from Jerusalem: two new Jewish settlements were established to-day on the West Bank near Ramallah by the extremist Gush Emunim group. The settlements had been approved by the Israeli Government before President Sadat's visit to Israel. Foreign Ministry officials said that they did not believe the new settlements would hinder the peace-making process.

The wild man transformed

BY DAVID LENNON IN TEL AVIV

LONDON will welcome to-day one of the two men playing out the most exciting drama the Middle East has seen for a long time. Mr. Menahem Begin, the Israeli Prime Minister who dared to take at face value President Anwar Sadat's proposal that he should address the Israeli Parliament.

Mr. Begin, in power six months after an upset electoral victory six months ago, seizes his chances quickly and excitedly. It was no different when Mr. James Callaghan asked him to London. What a change that was for the underground plotter, the most wanted man in the days of British rule in Palestine, turned national leader after 30 years.

Even to consider foregoing this moment of triumph required the most important of developments. So Mr. Begin suggested in the invitation he sent to Cairo that it would be most convenient if Mr. Sadat chose to come after the Israeli leader had visited Britain. But in the end Mr. Sadat's visit rightly came first and Mr. Begin's arrival in London was postponed.

The declaration by President Sadat that he was prepared to visit Jerusalem in the quest for peace caught everyone by surprise, the Government of Israel no less than the rest of the world. But Mr. Begin, who has always seen himself as born for great moments, was quick to recover. Despite the total absence of contingency plans for such an event, the Israeli Prime Minister ad-libbed his way through the week with such success that what may have been a casual remark was turned into a firm commitment.

This speed of response is characteristic of Mr. Begin. Because he is undisputed leader not only of his party and coalition, but also of the country, he is able to take quick decisions, without consulting with others.

Since assuming the Premiership in June, a month after his surprise victory in the election on May 17, Mr. Begin has shown decisive leadership. After a 29-year wait, he made clear that he was in no mood for delays. He is determined to put his own stamp on the country and especially on its foreign policy.

For 29 years Menahem Begin served as leader of the opposition. During that time he passed from being a "wild man," feared for rabble-rousing speeches and his ability to whip up followers to public violence, to being regarded as the leading Parliamentarian in Israel's Knesset.

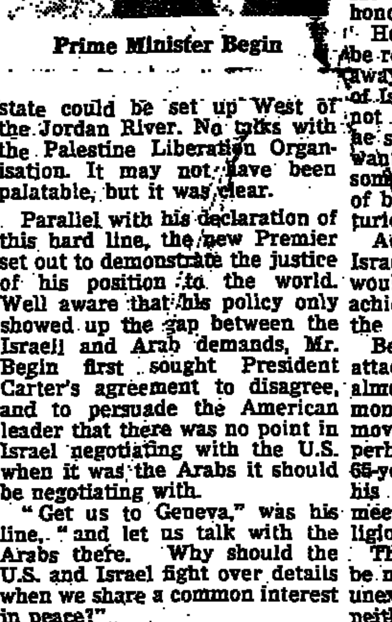
But, apart from his obvious skills as an orator, the only other achievement he could claim was that he retained the leadership of his party, despite losing eight elections in a row.

Perhaps because of the long wait, Mr. Begin has moved at breathtaking speed to implement his policies. He has demonstrated that he does not feel bound to follow the pattern established by the Labour Party during its 29 years of rule.

Boldly, Mr. Begin declared his hard line policy on the territorial issue. For the first time in many years it was clearly stated exactly what Israel wanted in return for a peace settlement.

The foreign policy line was clear. "Without ifs or buts, the new Government declared that it would offer Egypt the bulk of Sinai in exchange for a full peace agreement. Syria could have some of its territory on the Golan Heights in exchange for a similar peace treaty.

On the West Bank, there would be no concessions. No foreign sovereignty would be permitted. No Israeli withdrawal would be contemplated. No Palestinian state could be set up West of the Jordan River. No talks with the Palestine Liberation Organisation. It may not have been palatable, but it was clear.



Prime Minister Begin

Parallel with his declaration of this hard line, the new Premier set out to demonstrate the justice of his position to the world. Well aware that the policy only showed up the gap between the Israeli and Arab demands, Mr. Begin first sought President Carter's agreement to disagree, and to persuade the American leader that there was no point in Israel negotiating with the U.S. when it was the Arabs it should be negotiating with.

"Get us to Geneva," was his line, "and let us talk with the Arabs there. Why should the U.S. and Israel fight over details when we share a common interest in peace?"

Mr. Begin wanted to break the deadlock, not by bits and pieces but in one comprehensive settlement. No more interim agreements he said, let's try to achieve an overall peace settlement with all our neighbours.

He displayed a degree of flexibility in accepting the U.S.-Israel working paper on the procedures for the holding of the reconvened Geneva Middle East peace conference. He agreed to a Palestinian presence in a united Arab delegation at the opening session. But he ruled out the PLO as partners for talks.

At the same time, he displayed his toughness when he sent the air force into south Lebanon in massive and brutal retaliation for two rocket attacks on an Israeli coastal town.

On the domestic front, the new Government first played its hand quietly and then dropped its bombshell. Currency restrictions were all but abolished. The country was turned away from almost three decades of socialist attitudes towards a laissez faire capitalist economy.

It was a high risk policy. It pleased the backers of his Liberal Party partners, but is bound to antagonise the lumpen proletariat of his own Herut Party.

As a man with a highly developed sense of history, and a careful eye continuously on his place in it, Mr. Begin has a deep longing for some major achievement to ensure that his is an honoured place.

He will not allow himself to be recorded as the man who gave away any of the biblical "Land of Israel." But this, he knows, is not enough to ensure him what he sees as his rightful place. He wants a positive achievement, something which will be spoken of by the Jewish people for centuries to come.

Achieving Arab recognition for Israel, and getting a peace treaty would be just the scale of achievement which would achieve the goal.

Because of his health—a heart attack just before the elections almost robbed him of his great moment—Mr. Begin has been moving with speed. Fearing that perhaps time is against him, the 65-year-old Premier wants to see his triumph before he goes to meet his maker, whom as a religious man he firmly believes in.

The future path of his rule may be marked by more dramtic and unexpected steps, among which neither peace nor war can be ruled out. A continuation of the "no peace—no war" situation is the least likely option.

Soviet fish threat may hinder Japan China treaty

By Charles Smith

TOKYO, Dec. 1.

THE SOVIET UNION appeared to-day to be stepping up its efforts to prevent Japan from signing a treaty of "peace and friendship" with China.

Threats to exclude Japanese fishermen from the Soviet 200-mile economic zone in the Western Pacific have been made by "highly placed" Russian officials, according to the Japanese Press which claims to be reporting Japanese sources in Moscow.

Simultaneously, the Russians have at last set a date for a visit to Moscow by the Japanese Foreign Minister, Mr. Sunao Sonoda, who was told this afternoon by the Soviet ambassador, Mr. Dmitri Polyanski, that he would be welcome in Moscow "for a few days" from January 9 onwards.

The Soviet Government has been declining to set a date for talks at foreign minister level with Japan since the beginning of last year when the next round of talks fell due under the two countries' mutual agreement to hold annual consultations.

The fact that the Russians now want to talk to Mr. Sonoda can be linked to moves made by Japan to restart the long-stalled negotiations on the Chinese Peace and Friendship Treaty.

Treaty negotiations with China began early in 1975 but were stalled after a few months as a result of Japanese hesitations which were in turn caused by strong representations from the Soviet Union. An abortive attempt to get the talks going again was made in the autumn of 1976 when the then Japanese Foreign Minister, Mr. Miyazawa, met his Chinese counterpart in New York. Since then, there have been no further treaty talks between Japan and China although the Japanese have claimed from time to time that negotiations "are regarded as being still in progress."

The diplomatic problem associated with the treaty is China's insistence on an "anti-hegemony" clause which would commit both parties to opposing attempts at hegemony by third countries in Asia.

The Russians are basing their opposition to the treaty on the claim that the clause is specifically aimed at Moscow and thus destroys Japan's neutrality in the Sino-Soviet dispute.

● Japan and China have negotiated an agreement which will boost Chinese imports of steel to a record 4.8m. tonnes this financial year, a spokesman for the Japanese steel industry told Reuter.

Reserves hit $22bn. record

By Our Own Correspondent

TOKYO, Dec. 1.

JAPANESE FOREIGN exchange reserves stood at $22.149bn. at the end of November, the Finance Ministry announced to-day. This is the highest in Japan's history and marks the first time the reserves have exceeded $20bn. At the end of October reserves were $19.57[illegible]

ON OTHER PAGES

WORLD TRADE NEWS

Japan admits high imports mark-up

BY CHARLES SMITH   TOKYO, Dec. 1.

IPORTED CARS cost about 50 er cent. more in Japan than e same cars imported into the S., U.K., France or West Gerany because Japanese retailers d distributors take bigger ark-ups than their Western uivalents.

This is one of the findings in detailed report by the Ministry International Trade and dustry on the import distribuon systems of half a dozen ajor industrialised countries cluding Japan. The survey vers six main product areas—rs, golf clubs, lighters, wine, hisky and chocolate—and makes tremely detailed comparisons tween the mark-ups and distriution methods in the countries ncerned.

Japan comes out as the most pensive country in which to y most (but not all) of the ods surveyed. The reasons vary etween the complexity of the stribution system, the level of port tariffs or domestic taxes the products concerned, and e size of the dealers' mark-up. e U.K. is, almost without ception, the cheapest place in hich to buy any of the six oducts.

On a product-by-product basis the MITI survey has the following things to say: 1. Cars: imported cars in Japan sell at between twice and 2.4 times the Cif price. Whereas in the U.S. retail prices are about 1.3 to 1.4 times cif prices and the ratio is roughly the same in Britain (the situation in France is close to, but not as bad as that in Japan).

The cost of distributing one well-known German car model (MITI does not say which) works out at 32 per cent. of the final retail price in Japan. In the case of a French car distribution accounts for 47 per cent. of the final Japanese retail price. In the U.K., where imported cars are distributed most cheaply, distribution costs range between 8 and 27 per cent. of the final retail price. MITI offers one excuse for the high cost of distribution in Japan: the fact that imported cars often have to be "finished" to meet the existing standards of Japanese consumers.

2. Golf clubs: the cif price is about 40 per cent. of the Japanese retail price compared with 35 per cent. in France (the country with the worst record in this particular instance) and 75 per cent. in the U.S. (where imported golf clubs reach the consumer most cheaply). Although distribution costs are high in Japan they are not as high as the costs of distributing home-made golf clubs.

3—Lighters: these are highly priced in Japan and in the U.S. with the retail price usually working out at around 7.5 times the cif price. In other countries the final selling price is between twice and 4.8 times the cif price. The Japanese distribution system is more favourable to high-priced luxury lighters (such as Dunhill) than to standard types of lighters.

4—Whisky: in France and Japan the cif price of one particular (un-named) brand of Scotch whisky works out around one tenth of the final selling price. At the opposite extreme another brand of Scotch sells in the U.S. at only 3.9 times its cif price. Imported whisky costs 50 to 60 per cent. more to distribute in Japan than home-produced Japanese whisky but the main reason for the high retail price is tax (import duty and internal excise).

5—Wine: distribution costs work out at between 50 to 60 per cent. of the retail price in most countries but tax levels vary widely. A French wine on sale in Japan retails at 4.5 times its cif price. In the U.S. the ratio of retail to cif prices is 2.1 to 2.8 times. It is lower still in France but higher in the U.K.

6—Chocolate: imported chocolate costs more in Japan than anywhere else because of the complexity of the distribution system (which, however, also means that more types of chocolate are available, MITI claims). Retail prices for imported chocolate in Japan are generally between 2.7 times and 3.7 times cif prices whereas in other countries the multiple is 1.5 to 2.0 times.

The MITI report is the first government publication to provide detailed information on Japan's high distribution costs and to draw precise comparisons with the situation in other countries. MITI itself appears to believe that the use of sole agents by foreign manufacturers is one reason why mark-ups are high. Other reasons probably include price maintenance pressures exerted by Japanese manufacturers of competing products on distributions of foreign goods and a vicious circle which links high prices and a luxury image for foreign goods with a restricted demand.

W. Germany runs large deficit with third world

By Jonathan Carr   BONN, Dec. 1.

WEST GERMANY is building up a substantial trade deficit with the non-oil developing countries—thanks to a stronger than average growth rate in imports.

Figures published to-day by the Economics Ministry show that the deficit with these countries increased to DM2.3bn. in the first nine months of this year from a deficit of only DM280m. for the whole of last year and a big surplus in 1975.

The size of the deficit can usefully be compared with Bonn's foreign development aid which last year totalled DM3.6bn. The Germans feel that by boosting their imports from the developing world they are playing a "locomotive" role for fledgling economies which is at least as important as a formal aid programme.

German imports from the non-oil developing states rose by 27 per cent. in 1976 and 22 per cent. in the first nine months of this year—compared with growth rates for total imports over these periods of 21 per cent. and 7 per cent. The result is that these states have increased their share of total German imports from 9 per cent. in 1975 to 10.5 per cent. this year against the toughest of international competition.

Furthermore, the rise is not accounted for simply by an increase in the price of raw materials. In the past 18 months German imports of manufactured and semi-finished goods from the non-oil developing states have been growing more strongly than imports of these products from the rest of the world.

Meanwhile, West Germany remains just in surplus on its trade with the oil-producing countries—thanks to exports up by 22.4 per cent. in the first nine months and imports down by 0.5 per cent. However, there are clear signs that business in this area is becoming harder.

The German construction industry, a leader in the drive for overseas business, reveals that its foreign orders in the first nine months totalled DM4.8bn. against DM12.3bn. last year. A key reason, it says, is the greatly increased competition for business in the OPEC states—especially from Asian companies with cheap tenders.

EEC to look into 'special case' of four textile supplier states

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT   BRUSSELS, Dec. 1.

EEC Governments will be asked later this month to decide on future textile import arrangements with four of the Community's supplier countries with which the European Commission has been unable to conclude firm bilateral agreements within the terms of its negotiating mandate.

The four countries are India and Brazil, which are respectively the second and fifth biggest textile suppliers and account together for almost 20 per cent. of low-cost EEC imports, and Egypt and Pakistan, which both supply relatively minor quantities.

An official spokesman said the Commission had suceeded in identifying "broad areas of agreement," with these four countries but that EEC Foreign Ministers would have to decide at their December 19 meeting in Brussels whether to increase the terms of the EEC's offer sufficiently to make final accords possible.

Prime Ministers will also decide whether the bilateral agreements which the Commission had negotiated with more than a dozen supplier countries justified the renewal of the GATT multi-fibre arrangements, due to expire at the end of this year.

The negotiations, which have been underway here for more than a month, officially passed the EEC's self-imposed deadline for completion at midnight last night. But in some cases, the EEC resorted to the well-tried device of "stopping the clock," and it was not until early this afternoon that an agreement was finally initialled with South Korea, the EEC's third largest supplier.

Talks were also continuing this evening with Hong Kong, the biggest exporter, but it was hoped that they could be successfully completed by this week-end at the latest. According to EEC officials, Hong Kong has already agreed to a sharp reduction in its exports of sensitive textiles products, coupled with low growth rates over the next five years, in exchange for more generous treatment in less sensitive product categories.

But Mr. David Jordan, the colony's Director of Trade, Industry and Customs, said here that disagreements remained over four product categories, three of which were very important for Hong Kong. Work on other parts of an agreement was virtually complete, however.

The Commission is keen to conclude the main outlines of all the proposed agreements by next Monday, when the GATT textiles committee is due to meet in Geneva. It is expected that a number of supplier countries, including India and Yugoslavia, will condemn the Community's textile policies in strong terms at the meeting.

While the meeting is unlikely to have any real impact on arrangements between the EEC and textiles exporters, the Commission would clearly like to be armed with as full a list of initialled agreements as possible when it confronts its critics in Geneva.

Dealing with the four supplier countries with whom it had not been possible to negotiate agreements is likely to prevent greater problems. It will entail difficult political choices for several EEC Governments, and particularly Britain, which insisted that the Commission's mandates should be as tight as possible.

Any substantial departure from this mandate, especially to procure an agreement with India, is certain to be vigorously opposed by both textile manufacturers and trade unions in the U.K.

On the other hand, if no bilateral agreements are reached with these four, it may be difficult for the EEC to agree to a renewal of the multi-fibre arrangements. In this event, the Community might have to carry out its threat to impose autonomous import restrictions on the suppliers.

This course, which has already been advocated by some textile employers and trade unions, would exacerbate the EEC relations with many developing countries and could jeopardise both the multilateral trade negotiations in GATT and the broader dialogue between industrialised countries and the Third World.

BP gas find in Canada

By Ray Dafter, Energy Correspondent

RITISH Petroleum and Quasar etroleum have discovered a gas eservoir in the Monkman foothills of north eastern British olumbia, Canada.

The well was drilled by BP anada and Quasar as part of a eal with Skelly Oil of Canada. P and Quasar each earn a 25 er cent. interest in the licence, hich covers 45.540 acres, by aying for all the well costs.

BP said that gas, found below 000 feet, flowed at a rate of 1.7m. bic feet a day and 5.3m. cfd om two separate intervals.

Basic Resources International id yesterday that an exploran well in West Chinaja, atemala, had produced oil at e rate of 3,300 barrels a day. e well was sunk 15 kilometres rtheast of Rubelsanto where a oven oil field is to be exploited a pipeline to the east coast Guatemala.

The new exploration well was anced by BEA Petroleum, a mpany owned 79 per cent. by sic Resources and 21 per cent. Societe National Elf Aquine. The beneficial interest in production from this well is ned 70 per cent. by BEA troleum and 30 per cent. by enandoah Oil

Yen blamed for export surge

BY DAVID BUCHAN   BRUSSELS, Dec. 1.

THE 22 per cent. rise in the Yen against the dollar this year is causing problems for Japanese export industries, Mr. Hiromichi Miyazaki, Vice-Foreign Minister, to-day told a disbelieving EEC Commission delegation at the start of the bi-annual "high-level" EEC-Japan trade talks which end to-morrow.

In the first six months of this year Japan's trade surplus with the Community rose to $2.5bn. against $4.1bn. for the whole of 1976.

The commission team, led by External Affairs Director, Sir Roy Denman, argued that the "effective" rise in the yen against Community currencies was much less and that Japanese competitiveness was unfortunately as great as ever. While the EEC has a much larger trade deficit with the U.S. than with Japan in absolute terms, EEC exports to Japan this year only covered 39 per cent. of Japanese exports to Europe.

Mr. Miyazaki said he could not yet give details of the promise that his country had given earlier this week in Geneva to bring forward selected tariff cuts of an average 40 per cent. over eight years, aimed at helping the current multilateral trade negotiations along. The EEC suspects that the cuts Japan has in mind will help U.S. exports, such as raw materials, rather than Europe's industrial products.

Talks to-morrow will concentrate on the various problem sectors of Japanese-EEC trade, such as cars, ball bearings, footwear, chemicals and the continuing impasse on the future share-out of shipbuilding orders. But substantial agreement was reached earlier this week on steel.

In particular, the EEC and Japan have agreed that reference prices, rather than quantity limits should regulate their steel trade.

This agreement was given a wider blessing by yesterday's Paris meeting of the Organisation for Economic Co-operation and Development's steel group, which includes the U.S. But EEC officials to-day made it clear that they would expect Japan not to increase its steel exports.

This year the Japanese steel companies agreed to limit their exports to the EEC to 1.265m. tonnes—an undertaking which, EEC officials say, they "have stuck to pretty well."

India competition move

BY K. K. SHARMA   NEW DELHI, Dec. 1.

THE Indian Government has asked Commerce Ministry officials to decide how many protective tariff walls around the economy can be dispensed with so that some industries are forced to compete with imported goods. The object is to make industries manufacturing consumer goods, mainly those owned by the large monopoly houses, reduce costs.

The only industries still ensured protection are those falling into the "small-scale" category, or those with capital investment of less than rupees 1m. (£600,000).

The recommendations for changes in import procedures expected to lead to lowering of protective tariffs are to be made by a committee which is now examining licensing procedures, which are also to be overhauled.

GATT warning on investment

BY LORNE BARLING

INCREASING PROTECTIONISM is creating uncertainty which is inhibiting investment at a time when it is needed to stimulate demand and to enable structural adjustments, the GATT annual report on international trade concludes.

It warns, that proliferating trade restrictions are an official endorsement of an unwillingness to adjust that is weakening the recovery and growth capacity of the industrial economies in two mutually reinforcing ways.

"The restrictions act directly on the production process, tying resources to relatively less productive uses and thus restricting the expansion of the more productive and dynamic industries.

"At the same time, increasing protectionism generates economic uncertainty by placing the system of agreed trade rules in doubt," the report says.

It adds that developments up to the late summer of this year indicated that there would be a continued slow-down in the pace of industrial recovery in the industrial countries. This trend was particularly noticeable in Western Europe and Japan, where industrial activity has been virtually unchanged since the beginning of this year.

Due to uncertainty on forecasts of world economic activity during the last months of this year, estimates for the increase in world trade for 1977 were "very tentative."

Subject to this qualification, it seemed probable that the rise in volume for the coming year as a whole would be in the vicinity of 6 per cent.

One of the main reasons for the current sluggishness of investment was probably the uncertainty about future rates of inflation. This created problems since above average risk premiums tended not only to depress the level of investment, but bias existing investment flows on short term projects.

"If longer term investment projects are taking the brunt of the decline in aggregate investment, industries dependent upon longer term investments may develop supply constraints sooner than anticipated," the report says.

Healey approves £400m. building package

By Michael Cassell, Building Correspondent

THE CONSTRUCTION industry was given the go-ahead yesterday by Mr. Denis Healey, Chancellor of the Exchequer, to begin pre-planning work on the £400m. worth of new projects to be started in the Government's next financial year.

The £400m. package formed part of the last Budget and is designed to restore to the industry some of the workload taken away in earlier expenditure cuts.

Mr. Healey's permission was given at a meeting yesterday with a deputation of construction industry leaders and the decision will result in a small percentage of the £400m. being spent before next April.

The industry's leaders pressed the Chancellor for a commitment that additional public expenditure would be allocated for the construction sector in the next Budget, but no such assurances were forthcoming.

Mr. Healey was told that unemployment in the construction and associated industries was standing at 300,000 and there was no likelihood of a reduction. At the same time, the industry's workload was still declining.

The Chancellor undertook to examine the situation and said he was concerned to ensure that the construction sector remained able to meet any demands made upon it during the next phase of economic expansion.

Members of the deputation said after the meeting that they hoped the Chancellor would now consider pursuing a policy which involved a long-term view.

Development of high technology urged

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

BRITAIN should develop high technological industries at the expense of businesses requiring only low levels of skills and research, two leading public servants responsible for the development of industrial policy said yesterday.

At the same time, there should be a consensus between political parties on key industrial policies, to prevent changes of Government upsetting the stable climate needed by industry.

These firmly stated views came from Sir Ronald McIntosh, who retires in four weeks' time from the director-generalship of the National Economic Development Office, and Sir Peter Carey, permanent secretary at the Department of Industry.

They are specially relevant at a time when the future of Britain's major industries is being debated against a background of both the potential gains to be made from North Sea oil revenues and the problems of traditional industries such as steel, British Leyland, and shipbuilding.

Sir Peter made his remarks at a Westminster Chamber of Commerce lunch in London. There might be a case to leave industries with long labour-intensive production lines to other countries, he added. "We could then concentrate on high technological industries rather than production lines."

Broad view

The same point was made by Sir Ronald in the Alfred Herbert memorial lecture at Leicester University. He was delivering a broad view of the history and future of Britain's economy and industry in his last main public speaking engagement before leaving the NEDO.

There were up to 20 semi-industrialised countries which would pose an increasingly competitive threat to countries like Britain over a growing range of manufactured goods.

"The moral for this country is surely clear. We should concentrate on those activities which have a high research and development content, require a high degree of skill to produce, and have a high added value.

"We should be ruthless in abandoning products which fail to meet these criteria."

The need to move "up market" in British manufacturing activities should be the overriding objective of the country's industrial policy.

The strategy exercise—which both he and Sir Peter advocated as a logical way of mixing political and industrial planning—would stress the need for industry to economise in its use of materials and energy.

The reports would also point to the advantages to be gained from a steady flow of standard components, and would urge the strengthening of relationships between producers and users.

National Insurance burden for self-employed to be eased

BY ERIC SHORT

THE self-employed will pay lower social security contributions from April.

Under the National Insurance contribution rates for the year 1978/9 announced by the Government yesterday the new weekly rate for Class 2 contributions is to be £1.90 for men and women against the present rate of £2.66 for men and £2.55 for women.

The Class 4 earnings-related annual contribution will be 5 per cent. of yearly earnings between £2,000 and £6,250, compared with 8 per cent. now of earnings between £1,750 and £5,500.

Mr. Jim Waters, vice-president of the National Federation of Self-Employed welcoming the reduction said it showed that the Government had at last recognised that it must stop harassing the self-employed and private enterprise section.

However, the federation still regarded the Class 4 contribution as discriminatory in that it was an earnings-related contribution for which no earnings-related benefit was received. The federation would still proceed with its application to the European Committee of Human Rights for the contribution to be abolished.

The contribution rates for employed people have been raised to 16½ per cent. from 14½ per cent., ignoring the surcharge—an increase foreshadowed at the time of the introduction of the new state pension scheme.

The employees contribution rises to 6½ per cent. from 5¾ per cent. and the employers to 10 per cent. from 8¾ per cent.

In addition the upper earning limit on which contributions are assessed is raised to £120 a week from £105 and the lower earning limit goes to £17.50 a week from £15.

But next April sees the start of the new state pension scheme and it has already been announced that where employees are contracted-out of this new scheme they will pay 2½ per cent. less and employers 4 per cent. less in contributions. Contracted-out employees will pay virtually 4 per cent. and their employers 5½ per cent.

The net effect of these changes, as seen from the tables, is that people staying in the state scheme will pay up to £1.76 more a week and their employers up to £2.81 a week. But those contracted out will pay less—it could be as much as £1.40 a week lower and there is no tax relief on NI contributions, while employers will save up to £2.63 a week.

Class 3 non-employed are also having their contributions reduced to £1.80 per week from £2.45 per week.

NI CONTRIBUTIONS
EMPLOYED

Weekly Earnings	Employee Old	Employee New	Employee Increase	Employer Old	Employer New	Employer Increase
	Weekly Contribution Not Contracted-Out					
£	£	£	£	£	£	£
35.00	2.01	2.27	0.26	3.06	3.50	0.44
80.00	4.60	5.20	0.60	7.00	8.00	1.00
120.00	6.04	7.80	1.76	9.19	12.00	2.81
	Contracted-Out					
	Old	New	Decrease	Old	New	Decrease
35.00	2.01	1.84	0.17	3.06	2.71	0.35
80.00	4.60	3.64	0.96	7.00	5.19	1.81
120.00	6.04	5.24	0.80	9.19	7.39	1.80

SELF-EMPLOYED

Annual Profits	Old Men	Old Women	New Men & Women	Decrease Men	Decrease Women
	Annual Contributions				
£	£	£	£	£	£
4,000	318.32	312.60	198.80	119.52	113.80
5,500	438.32	432.60	273.80	164.52	158.80
6,250	438.32	432.60	311.30	127.02	121.30

Vauxhall separation complete

By Terry Dodsworth

VAUXHALL MOTORS yesterday concluded the main outline of management reorganisation instituted about two-and-a-half years ago with the announcement that Mr. Charles E. Weitz had joined the main Board as director of commercial vehicle operations.

It has been designed to make a clear separation between the car and commercial vehicle activities of the company.

Engineering, marketing and design have been operating separately for some time and the intention is to delegate as much responsibility for finance, parts and personnel as possible while keeping overall responsibility for policy in these areas at the centre.

Both Mr. Weitz and Mr. Eric Fountain, appointed director of car operations in September, report direct to Mr. Bob Price, chairman of Vauxhall Motors, a subsidiary of General Motors.

Mr. Price has also made a change in marketing arrangements for the Bedford commercial vehicle subsidiary which means that distribution organisations in Europe now report directly to the head of Bedford's marketing rather than through the General Motors organisation.

These changes are part of a restructuring of General Motors' interests in Europe which gave responsibility for truck design and development to Vauxhall, and a similar responsibility for cars to Opel, Vauxhall's sister company in Germany.

Police examine bottle after oil rig death

By Kevin Done

POLICE OFFICERS investigating the death earlier this week of a North Sea drilling rig worker have flown back to Aberdeen from the Thistle Field with a bottle for scientific analysis.

A 24-year-old worker from Aberdeen, Mr. Alistair Frost, died on Monday night in a hospital in Lerwick, Shetland Islands, after being taken ill on the rig, Sedco J.

Another labourer from the rig is still critically ill in an Aberdeen hospital. He has become blind and has suffered from kidney failure since returning from the rig.

Grampian region police said the men appeared to have been mixing some liquids on board the rig and drinking them.

ICI awaits German decision

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE RESULTS of Imperial Chemical Industries' planning application to build a new DM.600m. (£150m.) chemical complex at Wilhelmshaven in Northern Germany are expected soon from the local authorities.

The project, part of ICI's plan to develop chlorine and caustic soda plant along with vinyl chloride monomer plant in both northern Germany and at Wilton on Teesside, has received board approval in principle. Detailed approval for the project depends on a favourable outcome to the planning application. A planning decision is likely to be given in the New Year.

The expansion at Wilton will cost about £140m. and, with the Wilhelmshaven project, forms part of an ICI strategy to consolidate its manufacturing position in northern Europe around the North Sea basin.

The plant to be built at Wilton and Wilhelmshaven, if they both go ahead, will provide a rare opportunity of judging the performance of the U.K. construction industry against one of its main continental competitors on projects that are strictly comparable on timing and technology.

The poor performance of the U.K. industry is seen as one of the chief deterrents to major chemical companies building new plants in Britain, and a number of large projects, particularly for the chemical, oil and power generation industries.

Abu Dhabi Concorde pact

DEPARTMENT OF TRADE officials have overcome one large hurdle which threatened to hold up Concorde services to Singapore, due to begin next Friday.

They have convinced the Abu Dhabi Government that the aircraft will not damage oil installations on its flight from Bahrain to Singapore. The flight path has been altered slightly to avoid overflying offshore oil rigs.

Decision soon on Beatrice Field

BY OUR ENERGY CORRESPONDENT

THE MESA offshore group, which is studying development plans for the Beatrice Field, is expected to decide in the next few weeks whether to ask Department of Energy approval for an interim production scheme.

The group, which includes Kerr, McGee, Creslenn, Hunt Oil, Peculator and Oriental, and Exploration Holdings, wants to begin production in late 1978 or early 1979 through a temporary floating system.

The Government has already warned the partnership that in view of environmental problems permission for such a scheme is unlikely.

The group may therefore wait until a permanent system with fixed production platforms and a pipeline to shore can be built, perhaps commissioned in late 1979 or early 1980.

Mesa is thought to be considering two shortlisted options for the pipeline route, one to Cromarty, where an oil might be fed into Cromarty Petroleum's proposed refinery, and the other to Cruden Bay, the landfall for British Petroleum's Forties Pipeline.

It is understood that members of the Beatrice consortium are discussing terms for disposal of their oil with both BP and Cromarty.

The Mesa group may come under political pressure to build the pipeline link to Cromarty, for its oil supply to that region is seen as a way of boosting industrial development. But if the pipeline went to Cruden Bay the partners need not construct separate tanker-loading and storage facilities, already developed by BP.

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More parks for skateboard fans

BY ARNOLD KRANSDORFF

TWO SKATEBOARD parks are to be built in Oxford and Enfield, Middlesex, and are expected to be in use by the spring if planning consent is given.

The Oxford park is a joint venture between Minchery Farm, a local leisure enterprise incorporating a nightclub and discotheque, and Skatecity Bovis, a company formed recently by Skate City which operates a £100,000 park in Southwark, and Bovis Civil Engineering.

The park will be built on two acres of land on the outskirts of Oxford; will cost between £80,000 and £100,000 and will cater for 1,000 skateboarders.

It is being financed by Minchery on a franchise basis with Skatecity Bovis.

The company said that about 15 other parks were in an advanced stage of negotiation.

The Enfield skate park is planned on a three-acre site about 12 miles from London. It will cost about £70,000 and include a 60 metre slalom run, snake runs, pipe runs, a beginners' area and a covered area for bad weather; also equipment hire shops, a cafe and rest room, spectator stand and cycle park.

The project has been drawn up by Bush Hill Park Estates, a local property company.

At least three other recently formed companies specialising in skateboard park construction are preparing feasibility studies for sites throughout the country.

Inquiries are coming mainly from local authorities but there is also interest from private developers, seaside amusement parks, holiday camps and an entertainments group, which is planning another London facility.

It is planned to convert the financially troubled Plymouth Zoo into a skateboard track but the proposal is subject to local planning permission. The animals, owned by the Chipperfield circus family, will be transferred to Longleat, Woburn and other safari parks.

On a less sophisticated level, a car park has been converted at Sutton Coldfield and in Luton skateboarders are using a municipal swimming pool which has been emptied for the winter.

Ford U.K. imports Spanish Fiestas

By Terry Dodsworth, Motor Industry Correspondent

THE SEVERE production shortages suffered by Ford U.K. this year because of industrial disputes and poor component supplies have forced the company to start importing Fiestas from Spain.

The decision appears to have been taken with reluctance after the similar move, a few weeks ago, to bring Cortinas into Britain from associate plants in both Holland and Eire.

Ford already faces considerable criticism for the number of cars it is now importing, and it will not want to exacerbate the situation.

In the first 10 months of the year almost 37 per cent. of the company's total sales were cars produced outside the U.K., and these vehicles have been a significant factor behind the sharp rise in total imports in the country this year.

Ford has stressed to the U.K. unions that its move to bring in the Spanish Fiesta is a temporary topping-up measure until output in Britain recovers. It aims to bring in 3,000 in the November-January period.

Disputes

On the other hand, the company faces a problem if U.K. output remains depressed. The Fiesta plant at Dagenham has suffered a series of labour disputes this year. Against a target of 90,000 units for the year, it produced only 63,000 in the 12 months to the end of October.

Waiting lists for the car have stretched to about two months although the company wants to build up stocks.

Ford appears to have found that in selling the Fiesta to the private market, as opposed to the company fleet market, where most of its car range goes, it needs to have a higher level of stock to offer customers greater choice.

Industry analysts expect Ford to make a big move next year to improve productivity in Britain and solve some of its acute industrial relations problems.

With its wage negotiations out of the way after its recent agreement, it is now in a position to step up the pressure on sales and take advantage of Leyland Cars' present weakness.

Ford has given every indication in the past year that if it cannot achieve its sales targets with British-built products it is prepared to import from the continent.

However, this is a costlier exercise than manufacturing on lines established in Britain to serve the local market, and it has not had a great deal of available overseas capacity this year because of buoyant sales on the continent.

Plea for review of open-cast mines policy

LEADERS OF a campaign to persuade the Government to re-examine its policy on open-cast coal mining are to step up their pressure in the next week.

The campaign is led by the Association of Metropolitan Authorities. To-day a delegation from its planning and transport committee, representing South and West Yorkshire, Greater Manchester, Tyne and Wear and Walsall, will meet representatives of the National Coal Board and examine open-cast mining in Leeds and Barnsley.

The group will then discuss the situation with Government ministers at the Departments of Energy and Environment next Thursday.

The board plans to increase open-cast output to at least 15m. tonnes a year as soon as possible, but the association believes that the board and the Government must look again at the environmental and social costs.

Commission to hold inquiry into gas appliance market

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE Monopolies Commission is to investigate the relationship between the British Gas Corporation's retail showrooms and their suppliers as part of an inquiry into the £120m. market for gas cookers, fires, and water heaters.

It will try to establish why the gas showrooms, which dominate the retail market for gas appliances, charge higher prices than independent retailers although the Corporation can buy on much better terms than the rest of the trade.

The report, which should be completed within two years, will also examine the arrangements for servicing appliances and the export record of the manufacturers.

The aim will be to find out whether either British Gas or the big manufacturers are exploiting their dominance of the market and whether the relationship between the Corporation and its biggest suppliers operates in the interests of consumers.

The reference, the third made by the Office of Fair Trading this year, is one of only a very few so far announced which allows the Monopolies Commission to investigate the affairs of a nationalised industry.

The main activities of the nationalised industries are outside the scope of the monopolies legislation. But the Commission is not precluded from looking at their ancillary services such as, in the case of British Gas, the supply of gas appliances.

The gas appliance market is an unusual one in that monopolies, as defined under the Act, are thought to exist on both the retailing and manufacturing side.

British Gas has about 75 per cent. of the retail sales of the three product sectors being investigated through its 1,000 showrooms while the three biggest manufacturers are estimated, between them, to make about half the appliances.

Independent retailers have apparently claimed that the manufacturers are discriminating against them in favour of the gas showrooms by giving the Corporation's outlets bigger discounts and preferential treatment in supplies.

Despite this, prices in the gas showrooms are generally higher than those in other outlets like department stores and discount chains.

The Commission will have to decide whether this differential is justified in the light of the after-sales service offered by British Gas.

The investigation will also scrutinise the manufacturers' export records. Announcing the reference yesterday, Mr. Gordon Borrie, Director-General of Fair Trading, said exports would total nearly £6m. this year against imports of more than £15m.

British manufacturers, he said, did not seem to design appliances which were wanted abroad.

British Gas said yesterday that it had nothing to hide from the Monopolies Commission. Its retailing activities were operated wholly in the interests of its customers.

Information for workers plan criticised

By Christine Moir

PROPOSED legislation to enforce companies to send their annual reports and accounts to all employees came under attack yesterday from the Hundred Group of senior accountants.

The group claims that preliminary research indicates that for many users, including employees, the report and accounts are not the most appropriate means of communicating financial information.

If arguments are put forward in submissions to the Secretary of State for Trade on the Green Paper, The Future of Company Reports, and closely follow the views outlined in the report by the group published last December called Financial Information for Employees.

Redundancy fear in plant fabrication industry

BY LYNTON McLAIN, INDUSTRIAL STAFF

REDUNDANCIES IN Britain's process plant fabrication industry, now working at 70 per cent. of capacity, will be unavoidable by next spring unless action is taken to reduce the amount of U.K. work lost to EEC competitors.

In the first nine months of this year, British fabricators lost work valued at £25m. to lower-price competitors from Holland, France, West Germany and Japan, according to the Process Plant Association. Some orders were 30 to 50 per cent. below U.K. prices.

During the period, the value of work taken by foreign, mainly EEC, competitors was £21.7m., indicating mean bid prices more than 15 per cent. lower than those quoted by British companies.

The association believes that fabricators on the Continent may be getting direct help from their governments. In Holland, State subsidies for shipyards may be aiding fabricators. An alternative is that Continental fabricators are operating at a loss, to boost flagging order books and maintain jobs.

By Monday week, the next meeting of the Process Plant Economic Development Committee, the association hopes to have had a detailed reply to the letter it sent this autumn to Mr. Eric Varley, Secretary of State for Industry.

This called for changes in the way regional funds are allocated. In particular, the association wanted aid made available only for projects where the majority of parts and services were obtained in Britain.

Company sector finances improve

By Peter Riddell, Economics Correspondent

THE FINANCIAL position of the company sector appears to have improved substantially in the third quarter of this year.

This is indicated by Industry Department figures for the increase in the book value at present prices of stocks of manufacturers and distributors, published in the latest issue of Trade and Industry.

The value of these stocks rose by £517m. in the third quarter, the smallest increase since the last three months of 1972, and well down on the increases of £1.87bn. and £1.34bn. in the first two quarters of 1977.

Last year, the book value of stocks rose by £6.12bn. The decline in the amount required by companies to finance their stocks should continue in the present quarter.

It reflects both the significant decline since the spring in the underlying rate of price inflation and the recent fall in the physical level of stocks.

Figures for the physical volume of industry's stocks of raw materials, work in progress and finished goods were published last week, and indicated a decrease of £111m., at 1970 prices, in the third quarter after the earlier involuntary stock-building.

Sufficient

The sharp fall in stock appreciation should at present be sufficient to offset the significant slowdown in the rate of growth of total profits in recent months, as reflected in ICI's disappointing third-quarter results.

Consequently, the cash flow of industry should be improving for the time being, even though the fixed capital expenditure of industry at present prices is now rising.

In the third quarter, it was £2.74bn., against £2.43bn. and £2.45bn. in the previous two quarters. The volume of investment in real terms increased by about 4 per cent. between the second and third quarters.

Detailed figures for manufacturing industry indicate a rise in its capital spending at present prices from £1.11bn. to £1.25bn. between the second and third quarters.

In the third quarter, the increase in book value of manufacturers' stocks was £267m. compared with £1.37bn. and £980m. in the previous two quarters.

Top fines for fish poachers

FINES TOTALLING £20,000, with £115 costs, were imposed on the skipper and crews of two Spanish fishing boats by Milford Haven magistrates yesterday.

They were the highest fines imposed in England and Wales under Common Market regulations that prevent trawlers from non-Market countries fishing inside the new, 200-mile limits without licences.

The Spanish boats' catch worth £3,000, were confiscated and a naval minesweeper will detain the Spanish boats in Milford Haven until the fines are paid.

Association for franchise men

BY DAVID FREUD, INDUSTRIAL STAFF

EIGHT LEADING franchise companies in the U.K. formed an association yesterday, to promote a recognised code of business practice for the sector.

The British Franchise Association aims to eradicate the poor reputation franchising has had in some quarters by establishing a strict definition of the business relationship. Prospective members—all of whom must be franchisors—will be submitted to a detailed accreditation procedure, including auditors' checks.

The founder members are Budget Rent-A-Car (U.K.), Dyno-Rod, Holiday Inns (U.K.), Kentucky Fried Chicken (U.K.), Prontaprint, Servicemaster, Wimpy International and Ziebart (U.K.).

These eight members claim to represent about 60 per cent. of the franchising turnover in the U.K. They have more than 1,300 outlets with annual sales totalling about £105m.

There are estimated to be another 25 operations in the U.K. which would fall under the association's definition of a franchise, and of these about 20 have applied to join it.

Mr. Keith Tarry, chairman of the association, said: "This is merely a small beginning to the real potential. An ethical franchise has a seven times greater chance than one going it totally alone.

"The next decade should see accelerated growth in franchising as more and more people become dissatisfied with their jobs and decide to set up in their own business, protected by the umbrella of a nationally-known company."

Membership of the association would give potential investors in franchises a guide to reputable companies in the field. The association would also deal with complaints from franchisees and consumers and act as a common voice in liaison with Government bodies where legislation existed or was likely to be formulated.

In the U.S., franchising operations account for annual sales totalling $240bn. and have shown a growth rate of 31 per cent. over the past two years. There are 468,000 franchising outlets which provide employment for 4m. people.

HOME CONTRACTS

Whessoe wins £7m. Dinorwic orders

WHESSOE HEAVY ENGINEERING has secured contracts totalling about £7m. for the fabrication and construction of cylindrical tunnel lining sections, including large steel intermediate penstock assemblies, for the CEGB's Dinorwic pumped storage generating station, Snowdonia, North Wales. The major lining contract was awarded to Whessoe by M.B.Z. Joint Venture and the intermediate penstock assemblies order Boving and Co. Pre-fabricated sections and sub-assemblies are scheduled to leave the Darlington and Stockton works of Whessoe during 1978 with on-site construction planned for completion during 1980.

*

KENT INSTRUMENTS, Luton, Beds., is to supply instrumentation worth over £½m. for the British Steel Corporation's major coke oven development at Port Talbot, under an order from main contractors Otto-Simon Carves. Kent Instruments' equipment will be used in the control systems for two new batteries of 42 coke ovens and the associated by-products recovery plant. Kent is also to supply four control panels with a total length of 34 metres.

*

LINK-MILES DIVISION of the Singer Company (U.K.) has won a contract from the Nato MRCA Management Agency (NAMMA) for a Nav/attack systems trainer for the Tornado multi-role combat aircraft. The simulator is to be installed at the joint operational conversion unit for Tornado being set up in the U.K. to train British, German and Italian Air Force pilots and navigators. It will comprise a rear cockpit section with all instruments and displays, an instructor's station, Interdata 8/32 digital computer and ancillary equipment cabinets.

*

J. H. CARRUTHERS AND COMPANY, East Kilbride, has received a contract worth £100,000 from R. A. Lister, Dursley, Glos., for three EOT Monobox cranes, each with a 10-ton rating, for foundry work.

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HOME NEWS

£4,000-a-year suggested for local councillors

BY DAVID CHURCHILL, INDUSTRIAL STAFF

LOCAL AUTHORITY councillors could be paid up to £4,000 a year, plus compensation for loss of earnings, if the Government accepts the Robinson committee's report on councillors' remuneration, published yesterday.

The committee recommends scrapping the present £11-a-day attendance allowance system which, since it was introduced after the 1974 local government reorganisation, has been widely criticised as being too easy to abuse.

In its place, the committee suggests a three-tiered level of remuneration.

Firstly, councillors should receive a basic payment of £1,000 a year to cover all reasonable expenses, excluding travel and subsistence. The payment would also be "recognition of their role as elected representatives of the community."

Secondly, the financial loss allowance system under which councillors can claim for lost earnings, as a result of council business, should be re-introduced. This system had operated before the 1974 reorganisation but had been replaced by attendance allowances in the hope that a less rigid system, which did not require proof of loss, would attract a wider range of people into council work.

But the committee found there had been little change in the range of people becoming councillors and felt that, to achieve as fair a remuneration as possible, loss of earnings should be compensated.

Compensation, says the report, should be paid on a grossed up basis for income-tax purposes, taking account of each councillor's marginal tax rate.

Extra pay

The third payment under the proposed system is designed for those with special responsibilities, such as council leaders or chairmen of major committees. The committee suggests that local authorities should decide themselves which jobs qualify for extra pay but that payment should be related to the size of authority.

For the 58 local authorities with populations above 400,000, the committee suggests a special responsibility payment of £3,000. This decreases to £750 for authorities with a population of under 50,000.

The committee also recommends that no more than a tenth of all councillors should be given these payments, with a minimum of three and a maximum of eight.

Mr. Derek Robinson, chairman of the committee, which began work a year ago, said yesterday that the committee had rejected the idea of full-time salaries because it believed they "would irretrievably damage the voluntary principle of council work."

But the committee felt that "it was not open to a truly representative cross-section of the community to volunteer their services in this way without, at the same time, suffering an unacceptable degree of financial hardship." Surveys commissioned by the committee found that manual workers were under-represented on councils.

The committee believes that the overall cost of implementing its new pay system would be just over £30m. with an extra £2.5m. added under the compensation for lost earnings.

Committee of Inquiry into the system of remuneration of members of local authorities. Volume 1—£1.40; Volume 2—£2. HMSO.

Editorial Comment Page 22

Five new breweries set up this year

By Kenneth Gooding

FIVE NEW independent breweries have begun operating this year, according to the Campaign for Real Ale.

CAMRA's research deals yet another blow to the widely-criticised Price Commission report on beer which insisted that there were "significant barriers to entry" to the brewing industry.

The five new breweries are Blackawton in South Devon, John Thompson's brewhouse at a pub in Ingleby, Derbyshire, Penrhos Court in Kington, Hereford and Worcester, Godsons of Clapton—London's first new brewery since the turn of the century—and Westerown, the largest of the newcomers, which is based at Newmark and sells its beers in the East Midlands.

In preparing next year's Good Beer Guide, CAMRA has also uncovered 18 new cask-conditioned beers which the organisation describes as "real beer."

"This proves that talk of the real ale boom being finished is sheer nonsense. 1977 has been one of our most successful years," Mr. Roger Protz, the guide's editor, said yesterday.

Watney, once the prime target for CAMRA's propaganda, had introduced four more regional ales this year and planned another two for early next year.

Post Office urged to go out and sell

BY JOHN LLOYD

TWO POST Office watchdogs have come out strongly in favour of increased accountability, coupled with more aggressive marketing.

The Post Office Users' National Council and the Mail Users' Association have published their reactions to the report of the Post Office review committee's findings this week. Both bodies strongly endorsed the committee's report and call for rapid action on it.

Each consumer organisation sees the main priority as being the need to market its services, particularly its postal service, more aggressively.

Lord Peddie, chairman of the Post Office Users' Council, welcomed "the more positive approach to the problems of the postal business in order to arrest the recent decline in customer confidence."

The Mail Users' Association urges that splitting up the Post Office will not solve its problems.

Lord Carrows, MUA chairman, said yesterday: "Unless something is done straightaway, we will be extremely lucky indeed to escape a possible rise in postal charges next year."

He said the Government could avoid the rise by relieving the Post Office of its pension fund burden at an estimated cost of £300m. to £400m.

Sir William Barlow, Post Office Chairman, called on all Post Office staff to lead the battle against the general national decline in standards and services.

He said: "The keys to commercial success are expansion, good service and aggressive marketing. This provides the firmest possible base for keeping prices down and securing customer confidence.

"To illustrate how determined I am that the Post Office will lead the way in reversing downward trends I will not allow anyone to think in terms of increasing prices unless all other avenues have been explored and exploited. Neither will I allow reductions in service without full regard to the damage this can do to customer relationships."

British Airways seeks to improve its image

BY OUR AEROSPACE CORRESPONDENT

BRITISH AIRWAYS today launches a campaign designed to improve its image and to give its passengers a better deal.

Basis of the campaign, called the "Quality and Reliability Plan," is to encourage staff to improve such things as flight punctuality, baggage, handling, telephone answering and other aspects of operations directly involving the passenger.

Bright ideas from staff for improving things could each earn awards of up to £500. During the winter, the airline will aim at a revenue target of £457m., with 6.5m. passengers.

Giving details of the scheme, Mr. Ross Stainton, deputy chairman, said that the past summer had been disastrous for BA, and its passengers. "The customer has had a lot to put up with this year," he said.

"But now most of the problems are behind us, and we want to prove just how much we value the customer.

"We have got to put a smile back into BA. We have got to give our competitors more, and our customers a lot less, to worry about.

"Whatever the causes, our quality and reliability have been severely shaken and not all of our customers have understood that the troubles were not mostly of our own making."

Yorkshire Bank raises charges

By Michael Blanden

YORKSHIRE BANK is raising its charges to customers who do not qualify for free banking under the bank's personal current account tariff.

The move comes as banks' charges are being examined by the Price Commission. This follows tariffs increases already introduced by most of the big banks in the past year.

Yorkshire is keeping its basic qualification for free banking at a minimum balance of £50 and says that it is intended to maintain this figure until at least the end of next year.

However, customers who do not meet this minimum will face increased charges. For each debit entry—cheques and standing orders—the charge goes up from 7p a time to 9p.

At the same time, the notional interest allowed on balances in the account against any charges which may arise is being reduced from 5 per cent. a year to 4 per cent.

Foreign applications to universities up 51%

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

AN INCREASE of 51 per cent. in overseas demand for British university courses—in spite of steep increases in tuition fees—is disclosed by the Universities Central Council of Admissions.

Although overseas applications still constitute only a small share of the total, 6,628 had been received by UCCA up to November 15, compared with 4,401 by the same date last year.

Home applications received by November 15 were up by 2.9 per cent., from 68,703 to 70,683.

With about half of the expected entry still to come, UCCA estimates that the final total both of home and of overseas candidates will be about 161,000—a 4.5 per cent. increase on the 154,000 who applied in 1976.

The demand so far shows substantial increases in the "market share" of courses in civil, electrical, mechanical and general engineering; agriculture and forestry; physics; and business management.

There have been sharp reductions in the market shares of courses in law, sociology, and combined and general arts subjects.

International accounting plan

BY CHRISTINE MOIR

PROPOSALS TO introduce new international accounting standards on construction contracts and foreign transactions, contained in Exposure Drafts 11 and 12 published by the International Accounting Standards Committee, could involve significant departures from U.K. practice.

The U.K. standards on the same topics are contained in SSAP9 and ED21. In the main, the U.K. practices closely follow the international proposals but there are two significant differences.

U.K. construction companies, according to SSAP9, should not consolidate profits from long-term contracts until the contracts are substantially completed.

This minimises the risk involved in late-surfacing costs.

The international ED12 permits companies to adopt either this approach or take a percentage of profits determined by the stage of completion of the contract at the end of each accounting period.

However, the IASC recommends that the percentage method is to be used only when total contract revenues can be determined, and when an estimating process exists which is adequate to assess reliably both total costs and the percentage of the contract which has been completed.

The main difference between the international proposals for foreign transactions and the British ED21, is that the former permits companies to defer currency exchange gains or losses on foreign assets and to write them off over the life of the asset.

No deferral is recommended in the British exposure draft, but this may change during the discussion period which does not end until April 4 next year.

Discussion is to continue on both the international drafts until the end of April.

The IASC is, however, recommending that companies should disclose total foreign exchange gains and losses, and should indicate how much is included in the revenue account and how much deferred.

The British standard, contained in ED21, does not offer the possibility of deferral. However, discussion continues on ED21 until April 4 next year so that a change may yet occur.

Both international exposure drafts are open for discussion until the end of April.

ED11 also proposes that transactions in foreign currencies should be translated in financial statements at the rate prevailing on the balance sheet date, although such transactions are to be recorded initially at the rate prevailing when transaction took place.

IASC's Exposure Drafts 11 and 12. Publications Department, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London, EC2, price 45p.

FAY COMMITTEE REPORT ON CROWN AGENTS' £200m. LOSSES

'Incompetence, not misconduct'

BY MARGARET REID

LOSSES OF over £200m. incurred as a result of the Crown Agents' excursion into secondary banking in 1967-74 were due in general to incompetence rather than misconduct, and were caused by the actions or inactions of individuals coupled with a defective system, according to the report of the Fay Committee published yesterday.

The Committee, under Judge Edgar Fay's chairmanship, gave three reasons for the losses—some of the largest of which arose on loans to Mr. William Stern's property concerns, the English and Continental companies and Australian property development.

● An unwise decision to operate as financiers on own-account;

● The folly and euphoria with which some of the operations were conducted, compounded by lack of expertise and neglect of accounting systems and professional safeguard controls and;

● The failure of Government to inform itself of the developments, to appreciate the risks and to grasp the need for quick action.

A Government statement accompanying publication of the report yesterday said: "There has been a most lamentable failure of public accountability."

In the Commons, Mrs. Judith Hart, Overseas Development Minister, announced the setting up by the Prime Minister of a new committee of inquiry under Sir Carl Aarvold in the light of the report of the Fay Committee to assess the nature and gravity of any neglect or breach of duty by individuals which may have occurred in the Crown Agents, the Ministry of Overseas Development, the Treasury, the Bank of England and the Exchequer and Audit Department.

Vivid

The Government and the Crown Agents—who since October 1974 have been headed by a new Board under Mr. John Cuckney's chairmanship and which enjoys the Government's full confidence and backing—has accepted the report and its "conclusion that there were (in 1968-1974) serious shortcomings on the Crown Agents and that (Government) Departments and other outside agencies contributed to the failure to prevent losses."

Referring to the subject of the Fay Report's study as an account "of conduct and events which are now a question of historical concern rather than present anxieties," the Government says it will as soon as possible introduce a Bill to incorporate the Agents, who carry out purchasing, investment and other services for 100 overseas Governments.

The Government statement says that since October, 1974, the Crown Agents have had a proper Board structure and that a complete internal reporting system has been established.

The Fay Report gives a vivid account of the way in which links were developed in 1967-74 between the Agents and a variety of figures in the secondary banking and property field, since there was a realisation that the Agents had large funds to invest.

There are extensive criticisms of Mr. Alan Challis, who was the financial director until 1973 until he left to join the Board of First National Finance Corporation, in which the Agents had a shareholding.

"Throughout we find that the characteristics of the finance directorate under Mr. Challis included unjustified risk-taking, a lack of regulation and control and an aversion from taking advice, secretiveness, a low standard of commercial ethics, and a haphazard choice of associates," says the report.

Of Sir Claude Hayes, chairman of the Crown Agents from 1968-74, the Fay Committee note that he had plentiful opportunities of amassing information about the Finance Directorate's activities.

Sir Claude is criticised for unapproachability, unreceptiveness to warnings, and the committee says that to the day he departed in September 1974 "as against the Government, Mr. Challis' actions were supported and justified and the attempts of the Ministry to obtain information or to impose restraints were treated as sinister attacks on the independence of the Crown Agents' office."

Custodian

The Committee, whose other members were Sir Edmund Compton, a former Ombudsman, and City accountant Mr. Peter Godfrey, note extensive delays over production of the Agents' accounts in the relevant period and criticise the Exchequer and Audit Department.

"Our narrative has shown situations where the audit process might have, but did not, expose imprudence, irregularity, or even deception on the part of the Finance Directorate in the conduct of the own-account business."

OF THE TREASURY, the Fay members say: "We think that the Treasury, as custodian of the public purse, might have been expected to press harder for government action to control the Crown Agents, including action to reform their internal management, and to have been less acquiescent in the policy of confining action to the revision of the Crown Agents' constitution.

It is ironical to observe that while the Ministry were to the end labouring under misapprehensions over the nature and extent of the own-account dealing, government did not utilise its auditing arm to secure accurate information. Not until Mr. Cuckney commissioned Coopers and Lybrand in October 1974 was any accountancy investigation carried out."

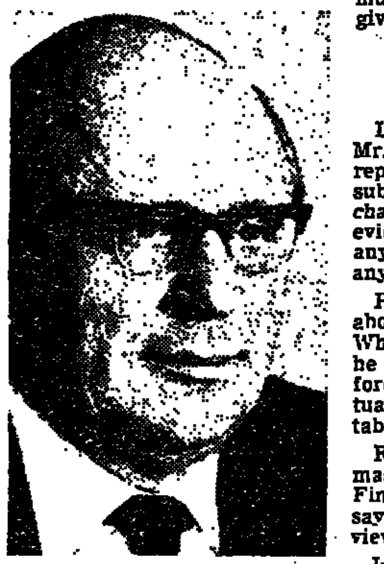
OF THE BANK OF ENGLAND, it says: "We appreciate that the Bank is independent of government, but it is government's major contact with the City, and we think it would not have been unreasonable for the Bank to have played a greater part in this affair than it did. It was astute to detect signs of trouble and its initial warnings were correctly passed to the Treasury.

"But after that it played a minor role. It would have preferred a different type of inquiry from the one mounted and in consequence played little part in the deliberations of the 1972 committee under Sir Matthew Stevenson) whereas fuller information from it might well have modified that Committee's views (paras 218-9). Thereafter the Bank, although frequently consulted (paras 342, 346, 363) remained on the sidelines."

Subjudice

As the Government statement notes, the Fay Committee found no evidence of corruption among the Crown Agents' staff, with the qualification that they made a separate (unpublished) report on matters relating to Mr. Bernard Wheatley, the Agents' former sterling money market manager, and Mr. Sidney Finley.

The Fay Report says that three individuals chose not to give evidence.



Allan Challis: secrecy and "a rooted disinclination to take advice unless forced to."

The first was Mr. Wheatley, who died in July 1977. It continues: "At the time of his death he was awaiting trial upon charges of corruption arising out of certain matters falling within our terms of reference.

"In those circumstances it was proper for him to decline, as he did, to give evidence to us. The same matters are the foundation of charges of corruption now pending against MR. SIDNEY FINLEY, a financier whose companies are mentioned at paras 68-72 and elsewhere.

"He too has not given evidence. Because these matters are subjudice we do not deal with them in this Report, which we understand is to be published, but have reported on them separately.

"The third potential witness is a solicitor practising in London, MR. SIDNEY DAVIDSON. There are, as will be seen, a number of matters upon which he could have helped us, but he has not seen fit either to answer our letters or to respond to our telephoned messages, and we must assume that he declines to give evidence."

Gambling

Later, the committee says of Mr. Wheatley: "We can only report that, apart from the subject-matter of the criminal charges, we have found no evidence of corruption, nor has any witness come forward with any specific allegations."

However, it notes concern about the propriety of Mr. Wheatley's gambling activities; he was "a member of Crockford's and a frequent and habitual player at the gambling tables at that club."

Referring to Mr. Stern's Christmas gifts to members of the Finance Directorate, the report says "these gifts were in our view unfortunate."

In its section on the Agents' relationship with Mr. Stern, whose property empire eventually collapsed with losses of over £100m., the report earlier says:

"Before leaving Mr. Stern we must note the gifts he made to those members of the Finance Directorate with whom he dealt.

"He explained to us that he was prevented from offering them hospitality other than an occasional lunch at his office because, as an orthodox Jew, he could only eat Kosher food. 'I have not and had not gone with them to night clubs, operas, movies, theatres, races, weekends, or anything of that sort.'

"Therefore" as some sort of recompense he gave generous Christmas gifts:

"'I was known as a fairly generous Christmas gift giver, and generous means it could be a gold pen and pencil, it could be—I think in one instance it was—a desk set; I think in one instance a watch; the monetary value was from £50 to perhaps £400 once a year at Christmas.'"

In accordance with this policy, he said, he had sent gifts to Mr. Challis, Mr. Hewins, Mr. Wheatley and Mr. Blundell.

Disastrous

The report reviews in detail the growth of the Agents' involvement in secondary banking and related activities and its loans in that field, in the effort to build up a surplus on its own account through FINVEST (F Department Investment Account) from 1967.

The ventures in Australia, and the relationship with Sterling Industrial Securities, First National Finance Corporation, English and Continental Property and others are traced. Moves, largely ineffective, towards investigation and control from outside, including the report in 1972 of a committee under Sir Matthew Stevenson, are described.

Summing up the disastrous venture, the report says:

"What the Crown Agents did was between 1967 and 1974 inclusive to conduct on their own account a substantial secondary banking activity and in the course of conducting it to engage in investment and lending which was unwise both in character and in degree.

"They embarked upon this course without seeking independent advice and we find that they possessed neither the skills nor the organisation necessary for such an enterprise. Accountability was lacking.

"It was unfortunate that the operation developed at a time when it was believed that those deploying funds could hardly avoid making money, and the attitude thus engendered in the officials concerned an undeserved degree of self-confidence. When crisis came they were totally unprepared, their lack of real banking experience was exposed and they allowed themselves to be locked into situations engendering further losses."

The losses

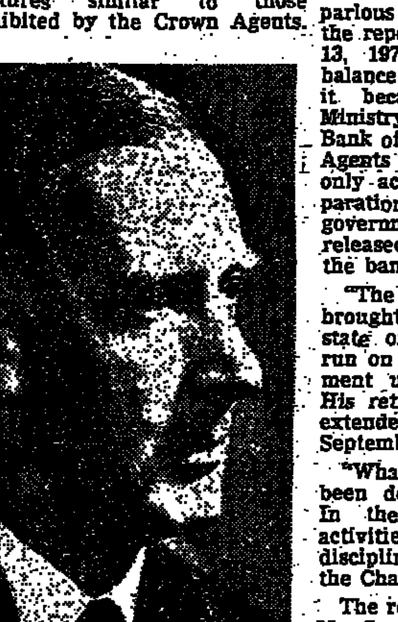
The Government statement says the Agents' 1976 accounts show the deficit on the own-account investments in property and secondary banking as £212m.

The Fay Report lists the major losses, totalling £195.4m. and including £42.8m. on English and Continental, £41.2m. on the Stern companies, £33.1m. on the Australian property development and £10m. on Sterling Industrial Securities.

It says the losses may be classified as "due to unsecured lending to borrowers now unable to repay fully or at all, secured lending where the security has proved insufficient or defective, support lending in cases where rescue failed, equity investments in associated companies which have failed, participation in property development and dealing.

"The equity investments form a small proportion of the whole because the Crown Agents injected money into their associates by way of loans rather than by shareholding."

Enlarging on its criticisms, referred to above, of Mr. Challis, Finance Director until 1973, the committee says, of the risks taken: "It is true that the Crown Agents were not alone in that time in imprudent financing, and probably many of the fringe banks that collapsed will be found to have suffered from features similar to those exhibited by the Crown Agents.



Sir Claude Hayes: politically "partisan," and who ran a "vigorous and disingenuous defensive campaign" against Government investigations.

"But the prudent banks, though they lent to Mr. Sterns of the time, did so with a proper regard to security and in such proportion as to ensure that losses could be accepted without affecting their own solvency.

"With the Crown Agents on the contrary it was a case of too many eggs in too few baskets—particularly the baskets labelled English and Continental, Australia and Stern."

Of lack of financial procedures, it remarks: "Above all there was no systematic management accounting. Thus it was that the Crown Agents fell into such errors as borrowing short and lending long, and lending on insufficient security and the like. The dislike of management procedures probably explains the fading away of the office of Controller when it was set up in response to Urwick Orr's advice.

"And even when the Credit Committee was set up with such formality after the Vehicle and General losses, its scope was limited and its decisions were frequently disregarded."

Describing the secretiveness of Mr. Challis's directorate, the report says: "The secrecy in which the Finance Directorate conducted its affairs was an manifestation of the ingrown spirit found within the Crown Agents at the time in question.

"The prevailing atmosphere of secrecy had the result that no one but Mr. Challis could comprehend the state of affairs as a whole, and he at no time shared the complete picture with the chairman."

It goes on to note that: "A feature emerging from the history we have explored is how fortuitous was the Finance Directorate's choice of associates. Mr. Abrahams meets Mr. Wheatley by chance, and becomes the Crown Agents' estate agent; he introduces Mr. Walker, who becomes their property consultant, and his firm becomes their property solicitors; Mr. Walker introduces Mr. Caplan, who becomes their valuer."

Discussing the secondary financial crisis which broke in the City at the end of 1973, the Fay Committee first notes the lack of support within the Agents' organisation for recommendations from Mr. Nowers, the accountant, for measures including a thoroughgoing review "to extricate us from the situations which are producing losses."

Rescue

The report then recalls that 1974 began with the Crown Agents being asked by the Bank of England to take part in one of the rescue operations then being organised to help secondary banks and prevent a more widespread collapse of confidence.

Having referred to the lack of adequate response to the mounting crisis in 1974 and the Agents' "optimistic statements" which "had for long concealed the parlous state of their finances," the report says: "At last on May 13, 1974, Mr. Hewins's rough balance sheet was disclosed and it became apparent to the Ministry, the Treasury and the Bank of England that the Crown Agents were insolvent; yet the only action taken was the preparation of the statement of government guarantee, to be released if there was a 'run on the bank' (para 346).

"The organisation which had brought about this lamentable state of affairs was allowed to run on under the same management until Sir Claude retired. His retiring date had just been extended from June 30, 1974, to September 30, 1974.

"What could and should have been done has been discussed. In the end the own-account activities were not examined and disciplined until the expiry of the Chairman's term of office."

The report describes how after Mr. Cuckney, the new chairman, of the Agents, took office on October 1, 1974 he was, as he told the committee, "surprised at the lack of financial information available and the lack of up-to-date management accounts and generally the lack of financial discipline and control over the Finance Directorate's operations, especially the sterling market."

He also found there were no audited accounts later than 1971 and no urgency over producing up-to-date accounts, that the staff were disunited and that they were "under instructions not to discuss affairs with their opposite numbers at the Ministry or the Treasury."

In just over two weeks, Mr. Cuckney called in Sir Henry Benson, senior partner of City accountants Coopers and Lybrand, as a result of which an investigation was started by a team of accountants, resulting in the request, and provision, in December 1974 of a Government grant of £85m.

'Slapdash' foray into the property market led to losses of £121m.

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

DETAILS OF the Crown Agents' disastrous foray into the property market, costing £121m. out of total corporate losses of £195m., form an extraordinary theme through Judge Fay's report.

The Agents created a property investment department in May, 1976, by simply promoting Mr. P. Sly from assistant money market dealer.

Mr. Sly, who had no property experience and no experienced staff, was told: "You will be property investment manager and have a sum of money, up to £10m., for investment in property."

The amateur nature of the operation resulted in what the report describes as a "slapdash exercise."

By 1970, the Agents realised that they had insufficient expertise to operate a property department. They handed over their portfolio, for £4.3m., to English and Continental, the private property group financed primarily by the Agents and run by Mr. Jack Walker and Mr. Ramon Greene.

The report comments that no valuation was made of the properties at the time of the transfer.

Under Greene and Walker's direction, E & C, 51 per cent. owned by the Agents, grew into a £100m. group in the next two years.

The Agents not only provided direct loans, but enabled E & C to borrow elsewhere with the help of "comfort letters."

"Comfort letters" were written to potential E and C creditors appearing to give Agents' backing for loans. But the letters were phrased to avoid a legally binding obligation to underwrite loans, which topped £38m. by April, 1973. Judge Fay describes the "devious story of the comfort letters" as an illustration of the secrecy that surrounded the Agents' Financial Directorate.

By avoiding legal obligations, the letters did not have to be vetted by top management. Sir Claude Hayes, the Agents' chairman, "was not aware of their existence."

In mid-1972, merger talks were held between E and C and First National Finance Corporation, in which the Agents had a 9 per cent. stake. These talks failed.

But the Post Office's pension fund stepped in, and in January, 1973, bought the investment properties held by E and C for £34m.

Mr. Greene and Mr. Walker shared £16m. cash. But the Agents, although they took a 51 per cent. share of the profit, were also left underwriting the whole of E and C's residual properties.

By 1974, this £45m. rump of development sites, housebuilding land and overseas property schemes was eventually backed by £37m. of Agents' loans.

Judge Fay calculates the eventual loss from the E and C commitment at £42.8m.

One of the E and C developments, Manchester Central Railway site, is considered in detail in the report. Through a string of offshore companies and in a complex sale arrangement, Mr. Walker and Mr. Greene took a £1.2m. personal profit from the sale of the site to E and C.

That personal profit was tax free, and the Agents accepted arrangements for the deal which avoided tax on their own £1.6m. profit.

Mr. William Stern, the failed property developer, is described in the report as "a successful borrower." When his companies collapsed in 1974, the Agents lost £41.2m., despite their rescue efforts.

In one extraordinary deal with Mr. Stern, one of the Agents' development sites, worth £3m., was acquired by the Stern Group for £8.225m. The report notes: "In the end, almost the whole of this price was paid by the Crown Agents' money."

Mr. Stern is shown to have given "generous" Christmas gifts to members of the Agents' Finance Directorate. Judge Fay describes these gifts as "unfortunate."

Overseas the Agents followed Mr. Walker's lead into developments in Singapore and into the open-ended commitment to finance a £200m. plus property development programme in Australia. Until the arrangements with its parties in Australia, Capital and Counties Property Company were renegotiated last year the Agents had full financing commitments but only a minority share of the assets.

The Agents' losses in Australia are estimated at £33.1m. so far.

Summing up the Agents' property speculation, the report does not criticise the partnership deals arranged with E & C and Capital & Counties.

The Fay Committee says: "We are not disposed to find fault with the 50 per cent. share in either case. What in our opinion was wrong with these transactions was going into them in the first place, not the proportions of the split."

PARLIAMENT and POLITICS

Callaghan pressed to explain Healey's pay policy remarks

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER found himself the centre of a storm in the Commons yesterday over the suggestion by Mr. Denis Healey, Chancellor of the exchequer, that there might have to be a return to a more structured form of pay policy when the present Phase Three voluntary policy ends next summer.

The row was sparked off by a speech which Mr. Healey had made to the Manifesto Group of moderate Labour MPs on Wednesday night. In it, the Chancellor had mentioned the possibility of setting up a Pay Board to monitor settlements and of appointing a Prices and Incomes Minister. In particular, he saw the need for some form of mechanism that would cope with pay anomalies.

Under fierce pressure from both sides of the House, Mr. Callaghan carefully avoided any explicit commitment to the introduction of a policy along these lines. But he was equally careful not to disown Mr. Healey's suggestions and—judging by the tone of his remarks—was not unsympathetic to them.

He explained that he wanted to see the start of a discussion about ways of improving the present system and declared: "As far as free collective bargaining is concerned, I ceased to worship on that about ten years ago."

When questioning turned to the firemens' dispute, Mr. Callaghan again took a firm line on the need to keep within the 10 per cent. guidelines. He saw no reason why the firemen should not settle on a package made up of the 10 per cent. increase and the promise of reduced hours.

Throughout the exchanges, the Prime Minister came under severe criticism from his own Left wingers. They demanded that the Government should settle with the firemen and bitterly criticised the use of Government sanctions to enforce pay policy.

Mr. Robert Kilroy-Silk (Lab, Ormskirk) asked how Mr. Callaghan could justify "this anomalous and iniquitous policy" which hit the most vulnerable workers while leaving the most powerful "alone and unscathed."

There were indignant shouts from the Labour backbenches accusing the Government of pursuing a Tory policy. Mr. Dennis Skinner (Lab, Bolsover) shouted to Mr. James Prior, shadow Employment Secretary, that the Prime Minister "doesn't need us when he has got you."

From the Opposition front bench, Mr. Francis Pym, shadow Leader of the House, demanded that Mr. Callaghan should state clearly whether he agreed with the Chancellor's speech of the previous night.

"Unless you repudiate it, the House has no alternative but to presume that this is the new pay policy of this Government," Mr. Pym declared.

But the Prime Minister told him: "I am simply not going to be pinned down by you or anybody else on what is to be the view on pay settlements in the autumn of 1978. I have enough to get through in the autumn of 1977 first."

MR. ROBERT KILROY-SILK
"Powerful left unscathed."

Mr. Norman Tebbit (C., Chingford) said that Mr. John Grant, Employment Under-Secretary, had written a newspaper article in which he opposed a return to free collective bargaining. In view of this, Mr. Tebbit wondered whether Mr. Callaghan was still committed to unfettered bargaining.

The Prime Minister told him that Government Ministers were entitled to talk about these matters. He recalled that he had told the TUC that he did not see free collective bargaining as attaining justice and fair play in this country. But, at the moment, he did not know of a better system.

"I would like to hope that arising out of our present difficulties and discontents there would be a continuing discussion about ways and means of improving this system."

This year, he wanted to see moderation in wage claims, not excessive claims. "Certainly, there will be discussion about the future. The Chancellor of the Exchequer is entitled to a little thinking about one of the major problems convulsing this country at the present time."

Mr. Callaghan pointed out that if there were moderate wage settlements, the retail price index would be lower next year and there would not be the same incentive to claim exceptional wage awards.

"There is no reason to conclude that there has been any decision taken, or likely to be, about the future of pay policy in the winter of 1978," he added.

Asked by Mr. Wyn Roberts, (C., Conway), to clear up "the very messy situation" left by the Healey speech, Mr. Callaghan said he was not going to condemn anyone for trying to think ahead about a way to get a radical approach to wages.

For the Liberals, Mr. John Pardoe, the party's economic spokesman, was more worried about what the Government was doing to enforce the present guidelines in the private sector rather than what would happen in the future.

Mr. Callaghan told him that only about 3 per cent. of wage earners had settled and many were waiting to see what was going to happen. Therefore, it was not right yet to deduce that settlements were going to be excessive.

It was up to the Government to prevent private sector employees giving high settlements on the excuse that the Government had allowed similar increases in the public sector.

The original figures laid down in the pay policy had been increases of 10 per cent. on national earnings and individual settlements well within single figures. The Government would still like to attain that.

On the fire dispute, Mr. Callaghan said: "I think the concern of the firemen is very genuine and there is no reason why a number of elements should not be put together in this dispute to form a settlement."

There was the long term formula offered to the Firemen, the possibility of under-writing it, the prospect of reduced hours, the prospect of guaranteeing the phasing in of a settlement, and the ten per cent. offer immediately.

"I see no reason why this should not be put together to form a settlement under which they could return to work," he observed.

Debate on Crown Agents agreed after protests over new inquiry

BY PHILIP RAWSTORNE

THE COMMONS is to hold an emergency debate on Monday on the report of the Fay Committee inquiry into the Crown Agents' losses of more than £200m. in secondary banking and property investments.

Mr. John Mendelson (Lab., Penistone) successfully applied for the three-hour debate after angry protests in the Commons yesterday over the Government's decision to hold another private inquiry into the affair.

To shouts of "rubbish" and "nonsense," Mrs. Judith Hart, Minister for Overseas Development, announced that the inquiry would be conducted by Sir Carl Aarvold.

The inquiry would "assess the nature and gravity of any neglect or breach of duty by individuals" in the Crown Agents, the Ministry of Overseas Development, the Treasury, the Bank of England, and the Exchequer and Audit Department, she said.

Mrs. Hart, describing the losses incurred between 1967-74 as "an enormous catastrophe," said that the Government's decision to hold an informal inquiry in private had been taken to safeguard innocent individals.

But Sir Michael Havers, Tory law spokesman, suggested that the secrecy could involve a "real risk of injustice."

Labour backbenchers sharply criticised the decision. Mr. Mendelson protested that the procedures were designed to protect people rather than reveal those who had committed offences.

Mr. Dennis Skinner (Lab., Bolsover) said that the Fay report had revealed "one of the biggest establishment scandals of all time."

He declared: "The gang who ran the outfit made the train robbers look like petty thieves." The "guilty people" should be brought to court, he said, rather than allowed to disappear by setting up another "secret committee in which the elitist group can get together."

Mrs. Hart said that proceedings were already being taken against one person and other possible exchange control offences were being studied.

Some people, no longer with the Crown Agents, were thought not to be liable to criminal proceedings but there were possibilities of civil actions.

The Crown Agents had taken the first formal steps which could lead to a bankruptcy petition against Mr. William Stern (head of the property companies in which the Crown Agents lost £41m.).

The Director of Public Prosecutions had studied the Fay report and everything that could properly be done was being done, said Mrs. Hart.

Replying to Mr. Richard Luce, Tory front bench spokesman, Mrs. Hart said that anybody attending the Aarvold inquiry would have the right to be accompanied by a legal adviser.

"There are some people, perhaps, who need to have their credentials cleared, and others against whom it may show some form of disciplinary action might have to be taken."

Mrs. Hart added: "We accept the report's conclusion that there were serious shortcomings on the part of the Crown Agents, and that Departments and other outside agencies contributed to the failure to prevent losses."

It had been "one of the most serious betrayals of public accountability," she said.

Government legislation would be needed as soon as possible to cover the new directives and working arrangements which had been introduced after the affair had come to light.

The Crown Agents' losses had resulted from "an unwise decision to operate as financiers on own-account," and those activities had now been decisively reversed. She was confident that nothing like the events described in the report could ever happen again.

Mrs. Hart agreed with Mr. George Cunningham (Lab., Islington S and Finsbury) that the Commons itself bore some blame for the affair by abandoning an investigation into the Crown Agents in May, 1974. She added that between 1909 and 1973, only 18 Parliamentary questions had been asked about the agency's activities.

Mrs. Hart said that when the lack of accountability was revealed, the Treasury and the Civil Service Department had conducted an immediate inquiry to ensure that all other public agencies and organisations were being effectively monitored.

She stressed that the Crown Agents' traditional functions had played no part in the losses. The Aarvold inquiry would mark "the end of a sorry chapter in the Crown Agents' long and otherwise distinguished history.

"I am confident that under their present Board, the Crown Agents can maintain and develop their traditional services soundly and successfully."

Mrs. Hart told MPs it would be some time before the agency could disengage entirely from its involvement in the loss-making investments.

The Government had emphasised that it stood behind the Crown Agents. It had made a grant of £85m. in December 1974 and would be ready to put proposals to Parliament for further assistance when necessary.

"As a result, the Crown Agents' overseas principals need not fear that any part of the funds which they entrusted to the Crown Agents will be lost."

Next week's business

COMMONS debates next week will be:

MONDAY: Debate on motion to take note of the first to tenth reports from Select Committee on Public Accounts, and Northern Ireland memorandum; motion relating to the Sheriff (Removal from Office) order.

TUESDAY AND WEDNESDAY: Scotland Bill, committee, at end on Tuesday, motion on Amendment of Units of Measurement (Hydrocarbon Oil, etc.) order; at end on Wednesday, motion on EEC documents on energy policy, and nuclear policy.

THURSDAY: Northern Ireland orders on emergency provisions and criminal law.

FRIDAY: Private members' motions.

Lords debates are:

TUESDAY: European Communities (Definition of Treaties) orders; Local Government (Scotland) Bill, committee; debate on aid to Bolivian mining industry.

WEDNESDAY: Debate on defence.

THURSDAY: Finance Bill, second reading; debate on Highlands and Islands airports.

Recess date

MPs WILL rise for their Christmas break on December 16 and return on January 9, subject to progress of business, Mr. Michael Foot, Leader of the House, told the Commons.

Euro-vote verdict may be nearer

By Ivor Owen, Parliamentary Staff

A CRUCIAL procedural ruling in the Commons last night by Mr. Oscar Murton, chairman of Ways and Means, bolstered chances of a decision before Christmas on the electoral system to be used for direct elections to the European Assembly.

He announced that a series of proposed amendments to Clause 1 of the European Assembly Elections Bill, mostly tabled by anti-Marketeers, were out of order.

In so doing, he opened the way for speedier progress to Clause 3 of the Bill which gives authority for the electoral system—either the regional list method of proportional representation or the traditional first past the post system—for Britain's first Euro-poll.

Even so, many MPs made it clear that they were still sceptical about the view expressed earlier by Mr. Michael Foot, the Leader of the House, that the key vote on the proportional representation issue could be taken by December 16 without any departure from normal procedures.

Earlier, when Mr. Foot confirmed that not a single day would be devoted to the committee stage of the Bill in the Commons next week, Mr. William Whitelaw, deputy leader of the Opposition, led noisy Conservative protests.

He asked how this "extraordinary" decision could be reconciled with the Prime Minister's pledge to use "his best endeavours" to get the Bill on to the Statute Book in time to meet the target date of May-June, 1978 for the first direct elections to the European Parliament.

Mr. Whitelaw said he well understood how Mr. Foot, one of the Ministers who has refused to vote for the Bill, could justify his position. But how would the Prime Minister be able to face the other Heads of Government at the next EEC summit?

"The blame for not reaching the target date," he declared amid Tory cheers, "will rest entirely with Mr. Callaghan."

Mr. Foot then disclosed that the Government proposed to provide another day for the committee stage of the Bill on Tuesday in the week before the House rises for the Christmas recess.

He hoped that it would then be possible to decide the proportional representation issue without resort to the special procedural device enabling consideration of Clause 3 of the Bill to be accelerated, which had earlier been suggested by Mrs. Margaret Thatcher, the Opposition leader.

But Mr. Foot promised that he would be ready to consider using the special procedure if this proved to be necessary.

Bill to control estate agents

A PRIVATE member's Bill to control estate agents and the way they handle customers' money is to be introduced by Mr. Bryan Davies (Lab., Enfield N.) who came third in the ballot for private members' Bills. It will be devated on second reading on February 3.

MPs seek wider medical powers for Ombudsman

THE HEALTH SERVICE Ombudsman should be given wider powers, including the right to investigate complaints about a doctor's clinical judgment, a Select Committee of MPs recommended yesterday.

At the same time, said the committee, the system for investigating complaints in the National Health Service should be much simplified, and the setting up of an ad hoc inquiries by health authorities should be scrapped.

The MPs—members of the Select Committee on the Parliamentary Commissioner for Administration—sympathised with doctors' fears about the way complaints might be handled.

But they recalled that just under half the 15,000 written complaints made last year had involved clinical judgment. It was wrong that the only independent review available to patients in such cases was to sue.

The Ombudsman said the committee, would provide an independent voice, backed by professional advice.

But the British Medical Association said last night that the proposal, if put into effect, would be detrimental to the treatment patients received.

The reasons given for the proposal would not satisfy doctors, and the BMA's views would be put to the Government "as a matter of urgency."

First report from the Select Committee on the Parliamentary Commissioner for Administration: independent review of hospital complaints in the National Health Service. HMSO, £5.60.

Minister faces conflicting demands on green pound

MR. JOHN SILKIN, Minister of Agriculture told MPs yesterday that he had to strike the right balance between consumer and producer interests in making any change in the value of the green pound.

Mr. Silkin was responding to conflicting demands from both sides of the Commons. Some MPs called for no change, while others wanted an immediate devalution.

Mr. Gwilym Roberts (Lab., Cannock) pointed out that under transitional arrangements agreed with the EEC, prices would be increased in the New Year. There should be no devaluation of the green pound under any circumstances, he argued.

Mr. Silkin replied: "It would require a devaluation of about 23 per cent. to bring the green pound fully into line with the current market rates used for calculating monetary compensatory amounts.

"The exact effect of a change of this order cannot be predicted, but I estimate that it might eventually raise retail food prices by between 5 per cent. and 6¼ per cent. on average, and the retail price index by between 1¼ per cent. and 1½ per cent.

"I have made it clear that the timing and extent of any change must be judged against the national interest as a whole, including the impact on the cost of living."

For the Liberals, Mr. Geraint Howells (Cardigan) called for a devaluation of 10 per cent.

Mr. John Peyton, Opposition spokesman, said a devaluation of 7.5 per cent. would result in an increase in the cost of living index of a half of one per cent.

Mr. Michael Brotherton (C., Louth), asked what the Government proposed to do to help livestock producers. He was supported by Mr. Colin Shepherd (C., Hereford) who said that very large differentials were distorting the market in a way that would not be in the long-term interest of the housewife.

LABOUR NEWS

Employers resist claims by engineering workers

BY ALAN PIKE, LABOUR CORRESPONDENT

DETAILS OF the pay claim which will be submitted on behalf of more than [illegible] engineering workers later this month "do not bear serious consideration at this stage," Mr. Anthony Frodsham, director general of the Engineering Employers' Federation, said yesterday.

Mr. Frodsham's comments amount to a rejection of the claim—agreed by the Amalgamated Union of Engineering Workers national committee last month—before it has been officially submitted. It will be considered by the executive of the Confederation of Shipbuilding and Engineering Unions next week and, if approved, formal pay talks with the employers' federation will begin on December 19.

Speaking at a lunch in London, Mr. Frodsham said that the claim which the unions were preparing to submit was really a wide-ranging list of long-term aspirations. The employers' federation had decided to support the Government's pay guidelines and this would undoubtedly give rise to some difficult and genuine problems.

"Certainly we have no wish to hide behind the guidelines but we recognise that, in the short term, they are necessary if inflation is to be conquered."

The unions will be asking for new basic rates of £70 for craftsmen and £55 for labourers, against the existing rates of £42 and £33.60. However, the percentage increase is difficult to quantify since rises in basic rates have a direct impact on only a minority of engineering workers and the existing rates are, in any case, out of date as there was no national agreement last year.

Unemployment

Engineering employers are clearly concerned about the overall cost of the claim which, in addition to the pay element, seeks a range of conditions improvements, including a 35-hour week. This may be pressed by the unions more strongly than in the past, in view of current high unemployment.

Mr. Frodsham reacted strongly to the suggestion that unemployment could be reduced by cutting the working week. He feared that "the charity of those in work, who are now claiming shorter hours to alleviate unemployment, does not extend to sharing wages with the unemployed.

"In other words the demand is the same pay for less work. Thus shortening the working week would simply increase further the cost of our products and make it more difficult to export and easier for imports to compete on our home ground."

The executive of the Transport and General Workers' Union yesterday demanded that the Government and TUC should exempt shorter working week agreements from the 12-month rule or any other form of restraint to help cure unemployment.

It also urged increases in public expenditure, early retirement and a commission on unemployment headed by the Prime Minister to seek ways of job creation.

Firemen's executive meets TUC to-day to press for help

BY OUR LABOUR CORRESPONDENT

THE FULL executive of the Fire Brigades' Union will meet members of the TUC finance and general purposes committee today to discuss the union's request for assistance in the national firemen's strike.

Fire Brigade's Union leaders are trying to enlist TUC support for a campaign against the Government's 10 per cent. pay guidelines being imposed in the public sector with the force of legislation.

Merseyside firemen yesterday lifted a picket which was mounted on Tuesday outside an Army fire-fighting depot at Bootle.

Mr. Hary Coggins, chairman, said after a meeting of the local FBU committee, that it had been decided to maintain the picket at first in spite of advice from the union's executive. After further consultations, it had been decided to lift it at once.

Lieut.-Col. Stuart Anderson, commanding officer of the battalion at Bootle, said that the picket had been having "only a nuisance value." There had been no interference with fire-fighting operations.

Part-time firemen in Ulster are considering whether to join full-time colleagues on strike. Since the dispute began, the majority of 600 part-timers have worked normally.

This has caused bitterness. Strikers have urged the FBU executive to expel from the union part-time men who are not on strike.

The Queen will visit soldiers who are providing emergency cover at Tidworth Barracks, Hampshire, to-day. Union members have decided not to picket the event.

Pay boost sought by drivers

By Nick Garnett, Labour Staff

NORTHERN DRIVERS at Wallace Arnold have submitted a pay and conditions claim worth about double present earnings.

The claim, submitted by a drivers' committee rather than through their own union, the Transport and General, includes a rise of about 50 per cent. on the rates of the lowest paid drivers, shorter working hours and improved fringe benefits.

At the moment, the company's excursion drivers are paid between £39 and £40 for a 45 hour week in winter and 45 hours in summer with extended tour drivers paid on higher rates.

The drivers, who number about 250 of the company's total of 400, are seeking £60 for a straight 40 hour week through the year. Their pay settlement is due in January.

Darlington journalists reject peace bid

By Pauline Clark, Labour Staff

STRIKING journalists in Darlington yesterday threw out a peace formula aimed at ending their long-standing closed shop dispute and called on union leaders to put into effect a plan to spread industrial action throughout Westminster Press Group.

The call for stepped-up action is expected to be considered by the National Union of Journalists executive early next week after journalists' rejection of new peace proposals as "derisory."

They have been on strike for about six months because of the employment of a non-NUJ sub-editor on one of the group's North of England Newspapers publications.

This has prevented production of the Northern Echo, the Evening Dispatch, the Darlington and Stockton Times and the Durham Advertiser for more than four months.

At a chapel meeting in Darlington attended by Mr. Ken Ashton, NUJ general secretary, the 107 striking journalists considered a peace formula worked out earlier in the week by their union leaders together with printing unions, who have been supporting their action, and Westminster Press management.

Formula

The formula was produced on the initiative of the National Graphical Association but was presented to the journalists without a recommendation for acceptance.

Strikers' leaders said yesterday that they were unable to accept a formula which involved no shift in the management's policy of opposition to the closed shop and the granting of sole bargaining rights to the NUJ.

Journalists were also said to have overwhelmingly rejected other terms in the formula which included a provision that if Parliament approved a Press Charter in the form of a voluntary code of practice, both sides should undertake to make a constructive attempt to apply its terms and meet to discuss how they should be applied in Darlington.

Westminster Press management had agreed in addition to a promise of no victimisation after a return to work and to the starting of pay talks as soon as practicable.

It also undertook to relaunch all its publications after a return to work, although the future of the evening paper would be reconsidered after three months.

Tories launch anti-Left campaign in ASTMS

BY OUR LABOUR EDITOR

A CAMPAIGN against what they call the "unrepresentative Left-wing minority who control powerful positions" in the Association of Scientific, Technical and Managerial Staffs has been launched by Conservative members of the union.

They have set up the first union-based Conservative trade unionists group, it was announced by Conservative Central Office yesterday.

Among its other aims, the group wants to include Conservative MPs in the union's parliamentary committee.

It complains about what it calls the "Left-wing controlled Star Chamber" that administers the union's disciplinary procedures.

Chairman of the new group is Mr. David White, a senior foreman at the Rover car factory in Solihull. The secretary is Mrs. Margaret Daly, a former divisional officer of the union, who works part-time at Conservative Central Office.

Bank dismissal case ruling

AN ACTION by Miss Gweneth Balson, seeking damages for wrongful dismissal from her job as assistant press officer at Barclays Bank, Lombard Street, London was dismissed in the High Court yesterday.

Judge William Stabb ruled that the sacking was justified because Miss Balson had been arrogant towards the head of the press office, disturbed office routine and threatened another woman in the office with violence.

Whitley Council meets on Civil Service pay

BY OUR LABOUR STAFF

THE NATIONAL Whitley Council, negotiating body for Civil Service pay, met yesterday as a full unit for the first time in 27 years amid trade union warnings of growing chaos in the service's wage structure.

The council, whose committees normally carry on its work separately, was discussing calls from trade unions that representations should be made to the Prime Minister on Civil Service pay.

The Government has promised to set up a Civil Service pay research unit, but not before 1979. The Civil Service unions want something done on their pay relative to other groups of workers next year.

Mr. Bill Kendall, general secretary of the Whitley Council's staff side, has forecast chaotic conditions with widespread industrial unrest among civil servants.

The unions' week of action has made a smaller impact than the unions predicted. Only a small number of unemployment benefit and employment service agency offices have been shut.

Union plea for import curbs

MR. DAVID WARBURTON, a national officer of the General and Municipal Workers, yesterday called for quota restrictions on man-made fibre and textile imports.

European chemical industry unions have sent a telegram to Mr. Roy Jenkins, the president of the EEC Commission, calling for urgent action to ease the recession in fibre and textile industries.

Health film

THE HEALTH and Safety Executive's film Don't Tell the Lads has been awarded the Certificate of Educational Commendation by the British Life Assurance Trust for health education, established.

Prior accuses Government over strikes

THE LATEST strike figures exposed the "complacency and falsehood" of Labour Ministers who had said they understood the unions, Mr. James Prior, Shadow Employment spokesman, said yesterday.

He accused the Government of bungling the return to free collective bargaining.

"Of course the Government are right in trying to hold pay claims in the public sector, and they must be supported. The trouble is that they have tied themselves to a norm of 10 per cent. which has become the minimum and not the maximum, and by so doing allowed themselves no flexibility at all."

Mr. Prior was commenting on the news that in the first ten months of the year 7.415m. working days were lost, compared with 3.284m. for the whole of last year.


Do you find your friends increasingly favour a redistribution of wealth?

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Push-pull turbine of high efficiency

THE GOVERNMENT'S favourite alternative at the moment to fossil-fuelled power stations is ocean wavepower converters. This preference apparently still holds, following the departure of Dr. Walter Marshall from the chief energy scientist's role and his replacement by Dr. Hermann Bondi. There has been no shortage of ideas for harnessing wavepower, and several are being tried out or developed with Government backing, either direct from the Department of Energy or through the Science Research Council.

A common feature of some of the schemes is the creation by the ocean waves of a to-and-fro movement of air inside a buoy or a submerged vessel. This oscillating air can drive an ordinary turbogenerator if the airflow is first "rectified," that is guided by valved ducting so that it always passes through the turbine in the one direction. A theoretical alternative to valves would be variable-pitch blading for the turbine, but the complexity is daunting. Valving is the more practical solution generally adopted, but it too introduces fallible and cost-raising mechanisms into the seagoing machinery of which the highest reliability and economy are required.

A new answer to this problem has been under assessment at the CEGB's Marchwood Engineering Laboratories. Ian Glendenning, who heads long-term studies there, describes the solution as extremely attractive for its simplicity and performance potential. It was devised by Dr. Alan Wells while working on wavepower conversion under a Wolfson grant at Queen's University, Belfast. Dr. Wells is now Director General of the Welding Institute but is collaborating with his successor at Queen's, Professor Adrian Long, in the practical development of the idea.

Basically it is for an air turbine the blades of which are not inclined at an angle to their plane of rotation, as ordinary turbine blades are. They do have an aerofoil section but it is a symmetrical one. They are mounted on a rotor inside a duct which is much like that of any turbine. Fixed in the duct, on both sides of the blading, are guide vanes. Whether air is blown into the duct from one end or the other, these vanes guide it towards the leading edges of the blades at an appropriate angle.

Now an aerofoil inclined slightly to an airstream, as is a turbine blade or an aeroplane wing, is pushed by the air in two directions at once. One direction is at right angles to the plane of the aerofoil. The other is within that plane, forwards from the leading edge of the aerofoil. (Relative to the airflow direction these pushes resolve themselves into the conventional "lift" and "drag" forces associated with an aeroplane wing.)

The forward push on the aerofoil in its own plane is the force exploited in the Wells turbine. Whether air strikes the symmetrical aerofoil from one side or the other, the guide vanes keep the angle of incidence in the right region for the forces to add up to a torque on the rotor. So the turbine would be driven constantly in one direction by the oscillating air column in a wave-power converter.

The Wells turbine is a high-speed machine. This has the advantage that the rapidly revolving rotor becomes an effective flywheel, smoothing out fluctuations in speed. Wind-tunnel tests on models have confirmed that the principle works. Theoretical calculations suggest that a full-scale version of the turbine could achieve an efficiency of 80 per cent. over a useful range of airflows.

● SAFETY

Clock group diversifies

IN A surprise move Westclox, the U.S. clock company with a U.K. plant at Dunbarton, has gone into the fire alarm business with an inexpensive domestic ceiling mounted device.

Called "Smoke Signal" the device is only seven inches square by two inches deep and it works on the familiar ionisation principle in which early products of combustion—water vapour, carbon monoxide, carbon dioxide and other ions rise to the ceiling where they are detected to set off the alarm.

The unit is battery operated so that there is no risk that power failure or the fire itself will affect operation.

Developed by Westclox in Canada, where in many places the installation of such devices is compulsory in new homes, Smoke Signal is to be sold direct from Dunbarton at £27. More on 0389 52531.

● CONFERENCES

Discussing diecasting

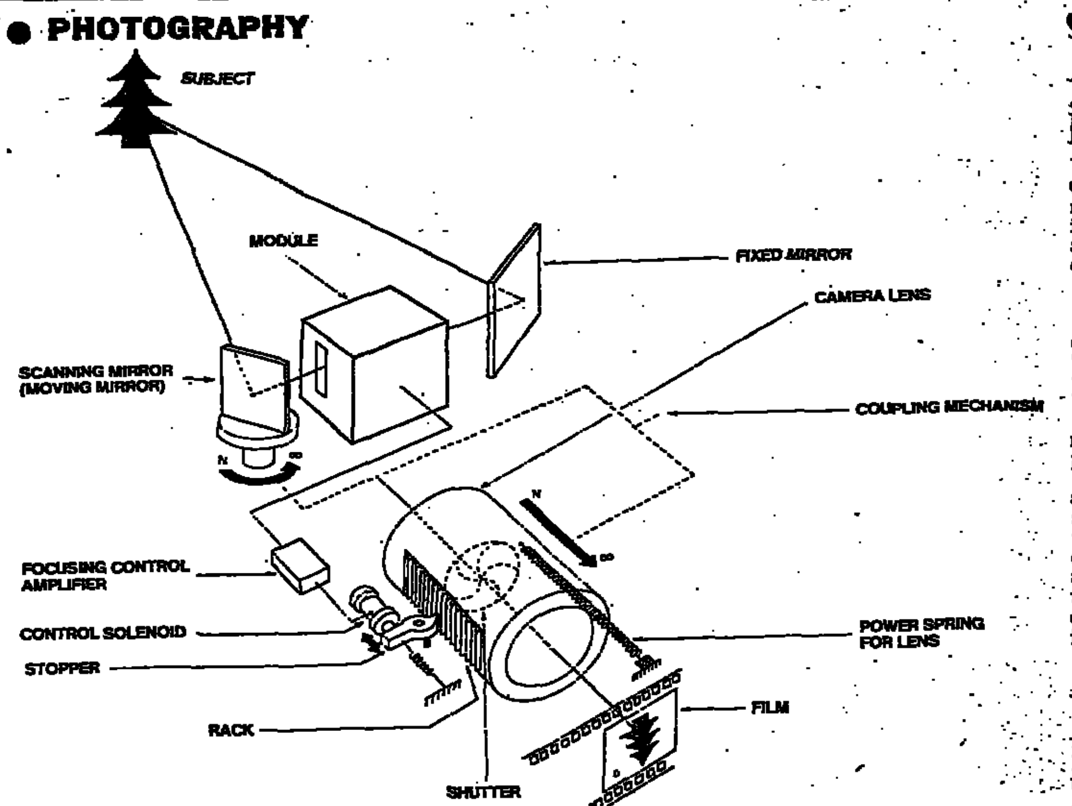
COINCIDING WITH the 8th International Die Casting Exhibition being held at Olympia, London, next May, will be an International Pressure Die Casting Conference.

Organised by the European Pressure Die Casting Committee it will be held at the Hilton Hotel on May 9 and 10, with works visits on May 11 and 12 for overseas delegates.

It will provide a world forum for a review of progress in this technique used for the mass production of components in aluminium, zinc, magnesium and copper alloys. Die casting is still making remarkable progress, and in many countries has already regained the peak levels of 1973-74 production. Subjects covered will include marketing and production techniques.

Details (in English, French, German, Italian and Spanish) from the Zinc Development Association, 34, Berkeley Square, London, W1X 6AJ (01-499 6636).

● PHOTOGRAPHY



Automated focusing is offered by a new camera from the Japanese group which makes the Konica camera series. *It is the Konica C35AF and it has* this facility together with automatic electronic exposure meter, focusing from 1.1m to infinity, distance indicating scale, built-in flash and powered by two three-volt batteries. As the diagram indicates the telemetry of the object is carried out through twin windows by pivoted mirrors providing matching of the double image and distance read-out. *Once the subject is in the sharpest focus possible,* all other functions are carried out in fractions of a second by a built-in microcomputer. There is no need to move focusing rings, twist shutter controls or adjust aperture. Konishiroku Photo Industry, 100 The Centre, Feltham, Middx. 01 850 5877.

● INSTRUMENTS

Looks wind in the eye

WIND SPEEDS that could wreck ordinary mechanical anemometers are no problem for what is thought to be the world's first solid-state electronics instrument of this type to be developed.

It uses the traditional cup anemometer to rotate in the wind and a wind vane. But the equipment *designed and built by* Talke Electronics then applies three standard and two optional black boxes to provide virtually maintenance-free speed measurement and alarm circuit operation, plus recording.

Speed of rotation of the anemometer is detected by using a perforated disc which, by *interrupting* and passing light to a detector produces pulses which are counted against a specified time period determined by a crystal clock to give wind speed in mph or knots on a three-digit display.

Readout is once a second or once a minute and wind speed *alarms can be set on two alarms* in decades, giving warnings at low and high, or one alarm may be set in units. This is done by thumbwheel switches.

The effects of gusting are eliminated by having the alarms operate on wind speed averaged over a one-minute interval.

Power consumption is only 35W and the design conforms to Meteorological Office standards.

Further information from Talke Electronics, Jamage Industrial Estate, Talke, Stoke on Trent ST7 1UH. 07816 72644.

● METALWORKING

Machine tool directory

LISTING the products of 212 U.K. machine tool, component and associated equipment manufacturers, a revised and enlarged edition of the Machine Tool Trades Association's directory "British Machine Tools and Equipment" is now available.

The text is in English, French and German, and the directory contains comprehensive cross-*referenced indices* listing products, manufacturers, and trade names. The 316-page A4-size book includes 200 pages of product data.

Intended as a purchasing and sales office reference book, it is obtainable at £9 from MTTA, 62 Bayswater Road, London W2 3PH.

● OFFICE EQUIPMENT

Shreds and bales

INTENDED FOR the disposal of general office waste, particularly confidential documents, a unit has been developed which combines a shredding machine and a baling press.

Driven by a 1.5 hp electric motor, the shredder cuts documents at 12 inches/second, is unaffected by pins, staples or paperclips, and can take up to 60 sheets of paper in one pass, reducing them to 6 mm wide *strips*.

Falling into the baling press, the strips are packed into 30 x 30 x 15 inch bales at the press of a button. If required, the machines can be separated and used on their own. A front opening chute allows the baler to be used for other waste such as cardboard cartons or boxes, and similar items.

More from the maker, Portable Balers, Smith Street, Hockley, Birmingham, B19 3EW (021554 7241).

Ofrex enters dry toner market

THE LATEST electrostatic flat bed copier from Ofrex marks the entry of the company into the pressure fused dry powder toner market. Copies are stated to be of high contrast, with good coverage over large areas, from a wide range of originals.

Paper is loaded in 100-sheet cassettes, and the machine carries enough toner for some 2,500 *copies before refilling.* Operation is by a single lever, which can be set for up to five copies, or repeatedly depressed for continuous copying.

No warm up time is required, and the machine produces eight to nine copies/minute the first copy after seven seconds. Exposure adjustment is by a slide control. Copy area is 257 x 354mm, and books and three-dimensional objects can be copied. Copy paper sizes range from the maximum copy area (B4) to a minimum of A5 (148 x 210mm).

Built in Denmark, the machine weighs 40 kg. and is designed for desk top operation. A trolley is available.

More from Ofrex, Stephen Street, London W1A 1EA (01-636 3686).

Fast form handling

LATEST EQUIPMENT from Moore Paragon includes machines for separating and detaching multi-part continuous stationery. They can be used separately, or in a combined *forms handling operation.*

These electrically-driven desk-top machines operate at a fixed speed of 60 ft./min. The decollator separates multi-part continuous forms, with tuck-away refold angle plates positioned on the desk top to accommodate the stacks of paper. The detacher parts single or multi-part continuous forms of up to three parts. Adjustable infeed guides and a moveable breaker blade cater *for varying form widths and* depths.

Intended for the small business machine user, or larger computer *installations with distributed pro*cessing networks, the machines are supplied ready to use—complete with mains plug.

Details from Moore Paragon U.K., on 01-476 3232.

Documents of all kinds copied

TWO plain paper copying machines which, together, probably cover most office needs, are being put on the market by *Oyez Reprographics*, part of the Solicitors' Law Group.

Both machines produce double-sided copies and will copy on to a variety of papers and other materials. One of the machines, the LX4 is made in Germany and the other, the LX3 is made in Japan.

The LX4 machine has a top speed of 30 copies a minute and will copy from originals ranging from single sheets to bound volumes in sizes from 8 by 10 to 8½ by 14 inches.

The LX3 machine can be used for a very broad range of copying work. It can for example make a double-sided copy on to an index card from an A3 original or reproduce a half-tone *illustration on airmail paper.*

Paper is fed from a roll and cuts to five different lengths and bulky originals can also be handled.

Details of both machines are available from Oyez Reprographics at Vale Road, Tonbridge, Kent *TN9 1XU* (0732 365341).

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

ADVERTISEMENT

UNITED ARAB EMIRATES

PARTNERS FOR PROGRESS

That, in just three words, is the remarkable story of the success of the United Arab Emirates in just six short years. In that time—less time than it has taken some industrial nations to build a single factory in some cases—seven small and almost totally undeveloped states, each with its own fiercely independent local customs and attitudes, have welded together into a thriving and formidable federal nation-state whose voice is among the most influential and often heard of the Arab Nations. Seven states into one. In just six years. Partners for Progress. It is more than a slogan. It is a triumph, an achievement virtually unparalleled throughout history.

PROFILE OF SHEIKH ZAYED, PRESIDENT OF THE UAE

SHEIKH ZAYED BIN SULTAN AL NAHIYAN

On 6th August 1966, Sheikh Zayed became Ruler of Abu Dhabi, following the abdication of his brother Sheikh Shakbut who had ruled the country from 1928 when he was 25 years of age.

Sheikh Zayed's position as Ruler of Abu Dhabi is the latest in a history of leadership provided in the area by the Bani Yas tribe which has ruled Abu Dhabi for the past three centuries. While the Qawasimi built large fleets and ruled the seas, the Bani Yas came to dominate the interior areas, and at the time of Zayed's birth numbered some 15,000. Family origins can be traced back as a branch of the original thirteen tribes whose posterity has continued to occupy the southern half of the Arabian Peninsula almost exclusively for four thousand years. The Bani Yas held the centre of the stage in Arabian history for a long time, and were once a powerful tribe in the province of Najd. They moved across the desert to the shores of Abu Dhabi, consolidating their power as they went.

During his brother's rule, Sheikh Zayed was Governor of Eastern Abu Dhabi, centred on Al Ain and the Buraimi Oasis. He established a reputation for his determination to develop the area, although few resources were at his disposal. When not giving his time to his sporting interests, Zayed spent his days digging wells, improving the Falaj water system and constructing buildings. As a local ruler his skills at diplomacy were developed, and well respected in his relations with the British. He held Majlis—the open court where any citizen could voice his problems or complaints.

He encouraged archaeological digs. The contrast in character between Zayed and his brother Sheikh Shakbut is perhaps illustrated in Zayed's determination to proceed with agricultural development. The Ruler turned down an agricultural plan produced by Zayed, but undeterred, he took his own limited funds and work commenced.

It was not until 1966 that Sheikh Shakbut accepted that he could no longer hold back the tide of progress. He accepted that change must come, but as a matter of principle he felt it better that another member of the family should assume responsibility for the task ahead. Sheikh Zayed Bin Sultan al Nahiyan was to be that man.

On becoming Ruler of Abu Dhabi in 1966, Sheikh Zayed set quickly about putting his plans into action. Within one month foreign visitors were reporting the changes taking place: at the Palace workers were busily building new offices, departments responsible for development plans had been created and demolition and construction work continued through the night by use of floodlights. Eight weeks after his succession he had appointed a British consultancy firm to design hospitals and schools for a Ffr. 5.4 million welfare programme.

A consortium of town planners worked on a 160 kilometre road from Abu Dhabi to Al Ain, and sewage schemes, covered markets and sea walls were ordered to the sum of FFr. 135 million.

Simultaneously, Sheikh Zayed turned his attention to the country's foreign relations. "Our first priority was to place ourselves on the side of Islam and the Arab World. Second, we extended our relationships with the Third World, and finally, the international community as a whole. Our aim was to establish links, then build up trade," says President Zayed reflecting on his early days as Ruler.

"God has created human beings to live with one another—no matter what their position in life. Evidence of that is that even the biggest country on earth has need for the smallest. This is my whole concept of international relations."

Conciliation and unity were soon to be recognised as the hallmarks of Sheikh Zayed's diplomacy. He began to advocate a federation of the Gulf Emirates, he inspired conciliation between the Libyan and Egyptian leaders, and soon afterwards ended the long dispute with Saudi Arabia over the Buraimi Oasis. He visited Libya and joined with the government in establishing a fund for African development, provided funds for Sudanese development and gave assistance to Pakistan.

HISTORY OF THE FEDERATION

Despite common bonds which linked the ancient tribal communities living in the lower Gulf, trading rivalries had encouraged a fierce competition between them which survived even such devices as the 1835 Treaty of Maritime Peace in Perpetuity by which Britain and the ruling sheikhs along what had become known as the Trucial Coast agreed to cease their hostilities at sea. Even then, it was not until 1952, when a Trucial States Council composed of the seven rulers of the area was formed, that any formal move towards unity took place. With the help of Britain, by this time directly responsible for the external defence of the Trucial Oman States—as they were then known—a development office and development fund were set up and finally, in 1968, Abu Dhabi and Dubai took the first steps towards formal union when the two Rulers agreed to a common policy for foreign affairs, security, defence, social services and immigration.

The success of this union encouraged Abu Dhabi and Dubai to invite the other Trucial States to join them in a federation, spurred on by the departure of the British military presence from Sharjah and nearby Bahrain.

Despite some early faltering steps, when both Bahrain and Qatar withdrew from the Federation talks after early enthusiasm, the final move towards a full Federation of the emirates of the lower Gulf came in July 1971 when six of the seven states met and agreed to the formation of the United Arab Emirates.

Ras al Khaimah, the seventh emirate joined a few months later.

The UAE came into formal being on 2nd December 1971, National Day. That same month, it was admitted into the Arab League and early the following year became 132nd member state of the UN. The partnership had begun.

THE CONSTITUTION

The UAE is today a country of some 32,280 square miles stretching from the Gulf of Oman on the Indian Ocean in the East, the Straits of Hormuz in the North and the borders with Qatar and Saudi Arabia in the south and west. The total population is estimated at about 660,000 of which Abu Dhabi emirate has some 236,000, Dubai 210,000, Sharjah 89,000, Ras al-Khaimah 58,000, Fujeirah 27,000 Ajman 22,000, and Umm al-Qaiwain 17,000.

The federal capital and main seat of power is Abu Dhabi. The leading governing body of the UAE is the Supreme Council of Rulers consisting of the rulers of the seven emirates headed by the Federal President Sheikh Zayed of Abu Dhabi and Sheikh Rashid of Dubai, the Vice-President. The Supreme Council has responsibility under the 150-clause constitution for general policy on all major matters of state, including foreign affairs, defence, internal security, education, health, immigration, housing and development. Decisions require the approval of at least five members, including the Rulers of both Abu Dhabi and Dubai. President and Vice-President are elected for five years and may be re-elected, as both Sheikh Zayed and Sheikh Rashid were at the end of last year.

Under the Supreme Council comes the Union Council of Ministers, or cabinet, headed by a Prime Minister. The Council of Ministers has executive authority to initiate union laws and implement them and is collectively responsible to the Supreme Council. The President appoints individual members of the Council on the advice of the Prime Minister.

The people's forum is provided by the Federal National Council, or Parliament, consisting of 40 members elected for a two year term from each of the emirates. Abu Dhabi and Dubai are represented by eight members each, Sharjah and Ras al-Khaimah by six, and four each from Fujeirah, Ajman and Umm al-Qaiwain.

The Assembly, elected to the International Parliamentary Union this October, is entitled to discuss and if necessary propose amendments to federal laws presented by the cabinet, as well as debate any other matters of public interest it cares to.

ECONOMY AND FINANCE

A committee of experts is reviewing the UAE dirham's exchange rate in relation to the US dollar. The dirham has been in the dollar area since its birth in 1974.

Abdul Malik al-Hamr, the first UAE national to lead the currency board, said the dirham's drawing rights will be evaluated in relation to a collection of selected currencies whose value can affect the UAE's foreign trade.

In his first statement since his appointment early this month the currency board boss Abdul Malik al-Hamr told WAM that a broad financial policy is under study and will hopefully be finalised soon.

That policy should contribute to the economic boom in the country without contributing to inflation or economic stagnation. Al-Hamr denied the existence of economic chaos in the country. He added that there were mistakes which are being corrected so that the currency board, which acts as the central state bank, will be able to devise the necessary financial system.

The currency board executive described the UAE economy as very sound, with huge hard currency and gold reserves, effective co-operation between the board and planning ministry and efficient administrative organisation in the state. Al-Hamr said the UAE Central Bank will soon be opened after the legislative arrangements have been finalised.

OVERSEAS AID

As it has the highest per capita income of any country in the world, the UAE accepts as a fundamental responsibility of the provision of assistance to countries less fortunate. It also remembers its own reliance on aid in the years before its oil revenues gave it financial self sufficiency. Aid is also a key platform of foreign policy, and the developing countries are seen, in the words of the late Foreign Affairs Secretary of State Saif bin Ghobash, as countries with which the UAE has "shared their suffering and whose problems are almost our own."

The Federation is leading the world in aid to developing countries; it has over a third of its gross national product tied up in projects, not just in the non-oil producing Arab States, but also in States in Africa and Asia as well as Islamic countries elsewhere. The key to this programme is coupling the technology of the West with the financial resources of the Middle East. Everybody benefits, because the oil producers find worthwhile outlets for their petrodollars, the industrialised countries find new avenues for their exports, and the developing countries are provided with the resources necessary for the foundation of a healthy infrastructure and economy.

The main channel is the Abu Dhabi Fund for Arab Economic Development (ADFAED). It was established three years before the OPEC price increases with an authorised capital of $120 million, and following the increases, this was more than quadrupled to $500 million as African States were brought into the aid network. The Fund can both lend money on normal banking lines or participate in projects on normal equity basis or investment banking lines. This flexibility allows development of projects for needy countries which might not have been possible under strictly commercial and normally accepted criteria.

Even with straight loans, the Fund gives the countries concerned a considerable advantage. With commercial bank interest rates running between 12 and 15% a year ago in the major financial centres, the Fund makes loans rather more accessible by softer terms in addition to building in a period of grace in the ratio of four years for a 15 year loan. No less than 16 countries in Africa and Asia last year benefited from such a lending policy. Loans outstanding on this basis can safely be put at over 4 billion UAE Dirhams (£570m.), and to date that figure has appreciated considerably.

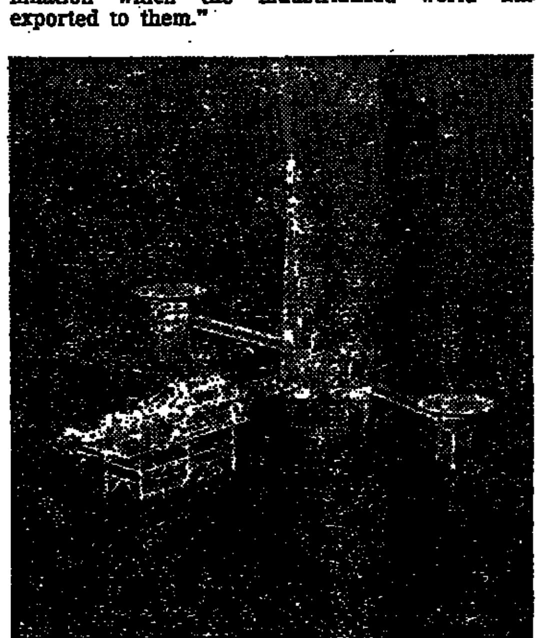
It must not be imagined that the ADFAED hands out money blindly in answer to each and every request. Even the UAE's high income is not enough on its own to solve, to any great extent, the serious problems facing many Third World countries. Therefore each project proposed has to be considered on its own merits, with priority given to those which offer tangible benefits to the local community and the particular country as a whole. This applies equally in either of the roles that the Fund is to take, as an investor or as a banker with a soft loan or indeed as a partner. ADFAED however insists that applications for aid should include thoroughly prepared projects and feasibility studies, because, says ADFAED Director Dr. Hassan Abbas Zaki, if the country has not got the details worked out for the scheme for which the cash is required, it will have a hard time convincing us of its viability.

Looking at particular countries on their own, Egypt for one has had a wide range of industrial projects which have benefited of UAE's financial backing and which are assisting in the recovery of its war devastated economy. Less than two years ago the "Gulf Authority for Egypt" was set up with $2 billion as a capital base, financed jointly by the UAE, Saudi Arabia, Kuwait and Qatar. On its own the UAE has been involved in direct aid to Egypt in a Dhs 40 million Urea plant at Talkha and a Dhs 130 million power station at Abu Quir. Among other Middle East confrontation states, Syria has had a Dhs 52 million for a despatching centre, financed as part of a power station complex, and Jordan received Dhs 21.5 million for the construction of a dam and Dhs 5 million for the building of a highway, all directly financed courtesy of the ADFAED.

Outside the Middle East area proper, eight African states, including very small and very impoverished ones, were under active consideration last year, with Fund officials visiting them to look at project viability on the spot. Tanzania, Uganda, Burundi and Ruanda were among those coming under scrutiny. Still further afield, ADFAED held meetings with representatives from Sri Lanka, India, Malaysia, Indonesia and the Comores Islands in initial contact preceeding the study of aid programmes.

Aid to the Third World is also provided indirectly through international organisations and agencies. The UAE is a significant contributor to the World Bank; in 1975 alone over $50 million were made available. It is also a contributor to the Islamic Development Bank, providing some 15% of its $1.1 billion capital. It must be pointed out, that like the ADFAED, the Islamic Development Bank does not confine its financing activities exclusively to the Arab countries.

"We will continue in future to provide aid to our brethren with all the limited means available to us as a developing country," said the late Saif bin Ghobash. "The Third World has had to undergo economic hardships imposed upon it by the industrialised West, in the view of the UAE, and now that it has it within its power to redress the balance to a certain extent, that is what the Federation is going to do. The Minister continued by saying "it will help alleviate the burden that these countries have to bear as a result of the monetary inflation which the industrialised world has exported to them."



Oil rig off Das Island

OIL PRICES

One of the most important factors in the stable growth of the world economy is the price of crude oil. The UAE was as pleased as the other 12 members of OPEC when it became clear to them all that concerted action would lead to a more economic price for what was for most of them the sole export product. Nevertheless, along with Saudi Arabia, the Federation strongly believes that a balance must be struck between the need for increased revenues by the oil producing states on the one hand, and the danger of increased costs to the oil consuming states on the other.

The UAE realises that for its economy to be made secure on a long term footing, it is necessary to diversify into a wide range of industrial sectors other than those connected with oil and gas, such as construction, heavy engineering, and of course agriculture. To develop these sectors, the advanced technology and the willing co-operation of the countries of the industrialised West are essential, and both could be threatened by rampant domestic inflation triggered off by excessive increases in the price of their primary energy source.

Consequently, within the OPEC framework, both the UAE and Saudi Arabia (which together account for over a third of the total output of members of the organisation), have consistently argued for a gradual increase in the rate of crude oil price rather than one marked by sudden, and possibly punitive, upward leaps. To this end, for the first half of this year, both countries held to a 5% increase on the 1976 price in order to assist the readjustments necessarily forced upon the oil consuming countries. However, out of consideration for the will of the majority in OPEC, the UAE and Saudi Arabia agreed to a price rise of 10%.

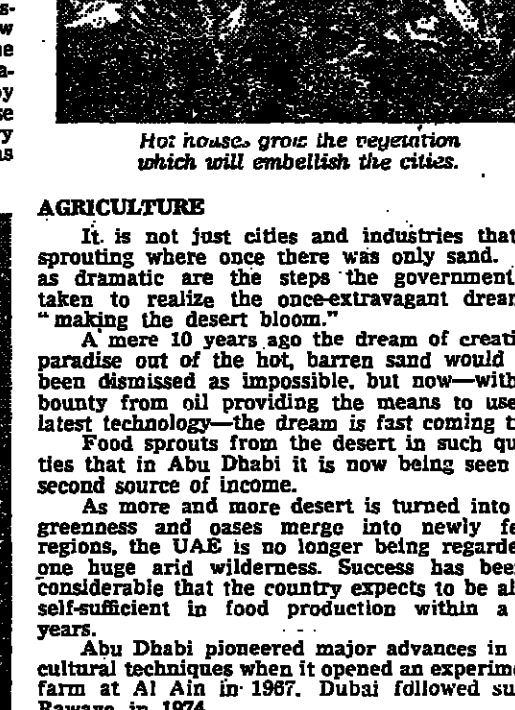
UAE President Sheikh Zayed said recently: "It is more important for OPEC to adopt a United Stand than raise or lower oil prices. What makes OPEC strong is agreement on policy matters. To preserve their unity, the member countries must cast off their narrow national interests and work for the interests of the Organisation as a whole. In the OPEC context, national interests are transitory, whereas OPEC unity is permanent." However, the Federation is equally firmly of the opinion that the plight of countries outside OPEC developing or industrialised, should not be ignored.

Oil production in the UAE has been running at around 600 million barrels a year, or over 1.6 million b/d, split roughly, 15% to Dubai and 85% to Abu Dhabi. Sharjah has started to come onstream with some 40,000 b/d and Ras al Khaimah could soon be the fourth of the seven Emirates to be an oil producer. Production levels increased slightly in the early part of the year reflecting the temporary price differential, but demand worldwide had slackened off from the second half of 1976, so there was no question of the UAE increasing its market share to any significant extent.

The position of the Third World countries and the UAE's overall foreign policy have very great bearing on the Federation's oil policy. Obviously domestic revenue needs and worldwide demand are factors in making the price, but above and beyond that, is the consideration of inflation in the Western economies and the effect this has on both OPEC members and developing countries. The West must be willing to co-operate in a radical form of its international economy and provide a more equitable balance between the industrialised and the Developing nations.

Unlike most other members of OPEC, the UAE has not gone for outright nationalisation of the oil companies operation within its frontiers. Control over the industry is still exercised, as the Government decides on the price of oil, output averages, the level and destinations of exports, how many wells may be drilled, and who will work them. Revenues are secured too. When the price was $12.86, the Government got all but 22 cents of that after allowing the companies to cover their production costs. In return for their share, the companies participate in financing of exploratory work and the wells production.

The UAE rejects any charge that higher oil prices are unjustified. Surpluses which accrue are not surpluses in the proper sense, claims the Federation, but solely a portion of its earnings which cannot be put to immediate use in development projects. Such funds are there for reserves for deferred investments rather than surpluses.



Hot houses grow the vegetation which will embellish the cities.

AGRICULTURE

It is not just cities and industries that are sprouting where once there was only sand. Just as dramatic are the steps the government has taken to realize the once-extravagant dream of "making the desert bloom."

A mere 10 years ago the dream of creating a paradise out of the hot, barren sand would have been dismissed as impossible, but now—with the bounty from oil providing the means to use the latest technology—the dream is fast coming true.

Food sprouts from the desert in such quantities that in Abu Dhabi it is now being seen as a second source of income.

As more and more desert is turned into lush greenness and oases merge into newly fertile regions, the UAE is no longer being regarded as one huge arid wilderness. Success has been so considerable that the country expects to be almost self-sufficient in food production within a few years.

Abu Dhabi pioneered major advances in agricultural techniques when it opened an experimental farm at Al Ain in 1967. Dubai followed suit at Rawaya in 1974.

At Ras al Khaimah, for long "the Garden of the Gulf" with more rain, arable land and a higher proportion of its people already engaged in agriculture, there is an experimental farm which dates back even further than Abu Dhabi's—to 1955. At Digdagga the state has the Federation's only specialised agricultural school.

A desert that blooms produces more than just food, pleases the eye and encourages wild life. The 1,700 acres of recently planted Acacia and Eucalyptus trees and bushes along the Abu Dhabi—Al Ain Highway not only makes the drive more attractive for the motorist—they stop soil erosion.

Over 200 million trees of 14 varieties are being planted in the Federation—and almost a million seedlings have already been planted in Abu Dhabi alone.

A large variety of fruit and vegetables, many seemingly incompatible with normal desert habitat are now being grown thanks to the agricultural revolution. From the humble radish to the regal strawberry, the success story includes summer and winter cabbages, spinach, cauliflowers, tomatoes, turnips, cucumbers, onions, marrows and aubergines.

And among fruit—oranges and lemons, grapes, bananas, paw paws, dates, figs and plantains.

There is even a small but thriving dairy industry—cows, poultry and eggs.

The result is seeing an end to the nomadic way of life of many people as they are gradually being encouraged to settle down to a more permanent existence.

The government is offering 1½ acres of free land together with loans to buy equipment and two years financial aid until the farm is self supporting to each man willing to put down his roots.

It is not only the desert which is changing. Its people are too.

Abu Dhabi International Airport.

INDUSTRIAL DEVELOPMENT

In the past six years vast sums of money have been invested in industrial development by the UAE government. The quest for industrialisation is also one for diversification—to widen the country's economic base to a range of industries and thus lessen dependence on crude oil exports as the major source of revenue. At the same time the country's economic planners are aware that the oil reserves are not inexhaustible and that alternative revenue earners must be established to provide for a smooth transition in the future.

The UAE's industrial development programme reflects the international trend of shifting industrial capacity to the developing nations. The range of industries which can be established to take full advantage of the state's crude oil and natural gas reserves are legion. Extra revenue can be created from oil refineries, and by-products including sulphur and sulphuric acid from which fertilizer plants can be put into production. Paints, plastics and asphalt are three further commodities obtainable from petroleum by-products. Natural gas also offers potential for ammonia, ammoniac fertilizer and urea.

The UAE is not limiting its industrialisation programme to petro-chemicals alone. New factories will provide a range of commodities including flour, cement, asbestos, tiles, pipes, prefabricated housing units and dairy products.

Allocations to the Ministry of Finance and Industry for 1977 reached almost Dhs 40 million while for 1976 it was Dhs 33 million, showing a 20% increase in investment in industry not based on oil.

The Abu Dhabi National Oil Company is responsible for the country's oil and oil related industries, which already include 2 VLCCs, its own drilling company, a chemical mud company, participation in an oil and fertilizer plant in Pakistan, and in Egypt's Sumed oil pipelines.

The first oil refinery at Umm al Nar, near Abu Dhabi, was an important step in the country's industrialisation programme. With a daily production of 15,000 barrels a day and plans are under consideration for trebling this output to meet the whole domestic consumption of the Federation. A second refinery is planned to be operational within 3-4 years at Jebel Al Dhanna and an initial investment of $500 million. Once operational this second plant will have an output of 120,000 barrels a day.

A petrochemical plant is to be located nearby which will also be linked to a new deep-water port to facilitate the export of excess production. Bold new plans are also afoot to develop onshore liquid natural gas facilities to attempt to rival the already existing plant at Das Island, the first and largest of its kind in the Gulf.

The UAE's first cement plant has been operational since 1976, and is assisting in the ever growing demand from the construction industry for cement. A second cement factory is planned to be operational in 1978.

The demand of the construction industry has also ensured the viability of 2 plants producing prefabricated housing units at Al Ain.

An asbestos factory has been built at Umm al Qaiwain, with an initial production of 20,000 tons, which is hoped to be increased to 40,000 tons within the next few years.

Looking back at the past six years of the UAE's existence certain successfully completed projects stand out: Liquified gas plant at Maqtaa with a daily output of 28 tons; Iron plant at Musafah, with a yearly output of 24,000 tons; Fertilizer plant at Musafah with a daily output of 80 tons; Plastic pipes factory at Masfah with output of 2,400 tons of various sizes of pipes; Air-condition assembly plant at Sharjah producing 20,000 units annually; two large scale projects, not directly linked to oil, demonstrate the breadth of vision behind the industrialisation programme of the Federation. One is the Dubai Dry Dock, scheduled for completion in 1979. This dock will be the largest of its kind in the world. The international development of ship repairing and maintenance facilities has never kept pace with those for basic shipbuilding. It could be said that the Dubai project would be more in line with the expansion programme of a highly sophisticated industrialised economy, with lengthy experience in shipping and ship-building, rather than of an economy with great dependence on a single raw material and no experience in ship-building; notwithstanding the advantage of geographical proximity of Dubai for ships trading in oil from all over that area.

The facility will consist of three docks, one of which will be able to handle two 500,000 ton ships at the same time, or indeed, a single 1 million tonner, when the time comes that such ships are built. Additionally there will be 8 berths for repair and maintenance, plus one for tanker cleaning—meeting the vital pollution risks in such busy sea lanes, and which are the nightmare of all countries with coasts on the Gulf. At the start of the operation 4,000 workers will find employment at these docks, while when these docks will operate at full capacity it is evaluated that 12,000 employees will be needed.

The other large scale project is an aluminium smelter, for which the contract was signed in April 1976 and which will need 4 years to complete at an estimated cost of $500 million. It is expected to be the biggest of its kind in the world and will initially have an output of 135,000 tons a year and will give employment to 1,200 men. A dry gas processing plant is included in the overall project.

It will be seen that the ambitious industrialisation of the UAE is very soundly based and imaginatively directed.

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For further information, please contact The Ministry of Information and Culture, P.O. Box 17, Abu Dhabi, United Arab Emirates or Embassy of the United Arab Emirates, 30 Prince's Gate, London SW7

The Property Market

BY JOHN BRENNAN

Post Office replaces Unilever in Lintas House

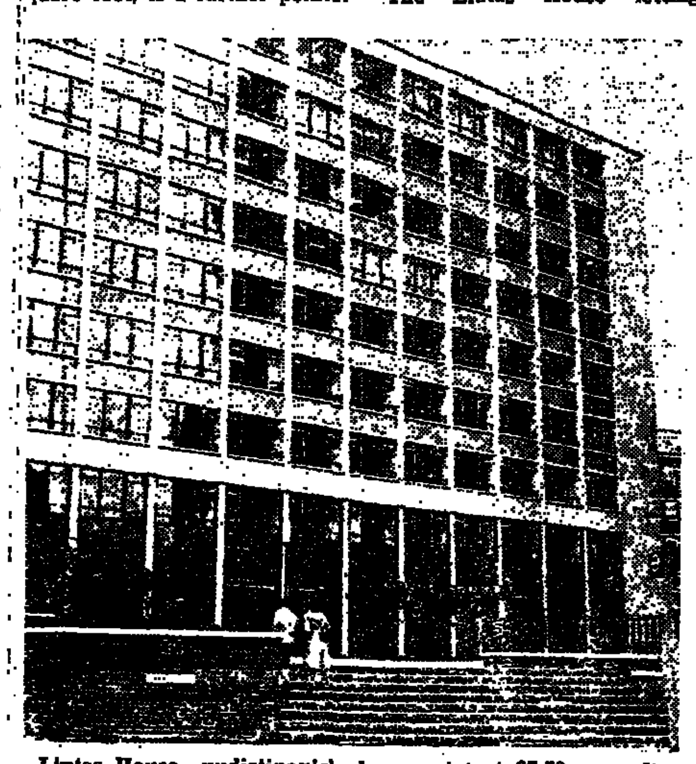
The Post Office has taken the main 37,250 square feet section of Lintas House in New Fetter Lane, E.C.4. The 1950s non air-conditioned office block has been standing empty since Unilever moved out a year ago. And the letting, at just under £7.50 a square foot, is a further pointer to the gradual recovery of letting interest in the Fleet Street/Holborn area.

Unilever, which holds a long, fixed rent leasehold on the block from the Goldsmiths, was represented by Collier and Madge and Kirkwood Craig.

The Lintas House letting follows news last month that the Bank of England had finally found a tenant for the former Slater Walker Properties' 94,000 square feet development at 100 Fetter Lane. Lummus, a subsidiary of the U.S. Combustion Engineering group took the space at what is believed to be an initially concessionary rent—around £6.25 a square foot rising to £8 a square foot before the first full rent review in 1983.

Renewed interest in the area, albeit at uninspiring rents, provides timely support for the British Steel pension fund's 80,000 square foot Fetter Lane scheme.

British Steel and developers Bernard Sunley are expected to receive detailed planning permission for the new building later this month, and work is expected to start next spring. International solicitors Lovell, White and King hold the Office Development Permit for the block, and should be able to move from their temporary offices on Holborn Viaduct in 1982.



Lintas House—undistinguished space let at £7.50 a sq. ft.

Shares pass the asset test

Stockbroker Joseph Sebag's latest property market report is remarkably long, and unequivocally bullish.

Its author, property analyst Roger Baden-Powell, admits to an element of "overkill" in the two volume report, which runs to 50,000 words with over 50 pages of tables and charts. Mr. Baden-Powell certainly leans towards elaborate rather than crisp explanations and commentaries on the direct and property share markets. But an occasionally donnish style does not squash an enthusiastic case for property at the moment.

Sebag expects the sector to outperform the rest of the equity market as property shares catch up with the improvement in the direct property investment market, and begin to reflect more fully the pressure for a continued steady rise in commercial rents.

Looking at factors influencing share price movements over the past ten years, Sebag argues that —beyond all the temporary effects of property legislation, interest rate changes and investment yield fashions — rents remain the key determinant of share prices.

Drawing historical parallels the broker sees a fair resemblance between the share market now and early in 1972.

Five years ago, as now, the supply of commercial space was declining, rents were rising and institutional buyers were chasing investment yields down in anticipation of increased rents. Unlike 1972, the broker does not expect either the legislative interference, nor the sharp rise in interest rates that eventually reversed the 1971 to 1973 bull market.

Commenting on the political outlook, Sebag makes the point that the next election is likely to be fought just as property companies' "supposedly obscene profits become widely noticeable." But it discounts a repetition of the commercial rent freeze or any other similarly draconian measure.

Considering investment timing, Sebag argues the case for a rule-of-thumb average discount to net assets. Assuming that it is possible to take a company's reported net asset figures at face value, or that an investor can take a view of balance sheet figures in the light of subsequent market changes, the brokers feel that a share price should stand at an average 25 per cent. discount to net assets.

Viewing the trading ranges of major companies in the sector over time Sebag believe that a discount of 20 per cent. or under is a clear "sell" signal. They see a discount of 35 to 40 per cent. for a financially sound group as a unarguable call to buy.

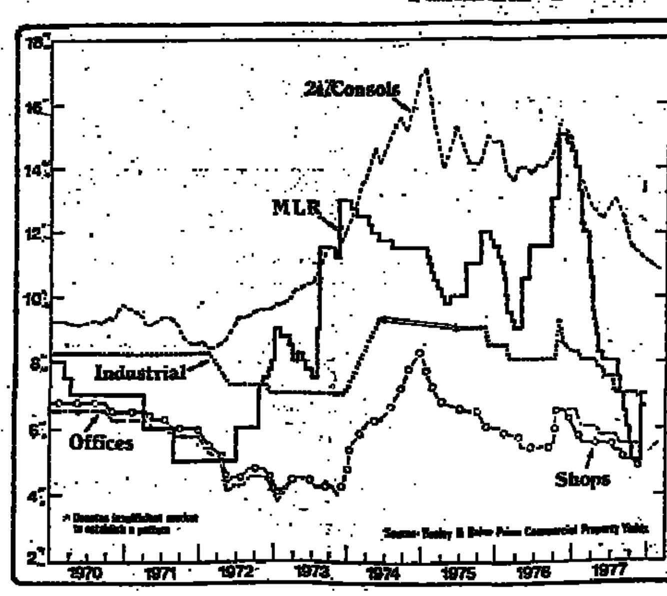
Considering property shares' low yields, Sebag repeats the classical wisdom that the sector is geared for capital growth rather than immediate income. But it does add its voice to the growing chorus of those who question whether rising refurbishment costs on ageing portfolios will cut into companies reversionary income growth. Higher refurbishment costs would, as Sebag points out, eat into attributable profits and dividends.

The long term outlook for property companies is obscure. Pessimists see a collection of oversize investment trusts, institutional bid fodder and emasculated developers pouring rents back to prop up ageing portfolios. Optimists look to a rent boom by the turn of the decade and a subsequent revival of developments.

Sebag avoids the crystal ball, preferring a more pragmatic, immediate view of the sector and seeing scope for considerable price rises in the medium term. Haslemere and Great Portland are tipped as "Buys," and Land Investors is recommended for its good quality Central London offices.

Of the recovery stocks British Land "has the best upside potential in the market" and MEPC is strongly favoured. This week MEPC justified that support by turning in profits and dividends rather higher than the broker's estimate, at £8.97 pre-tax against an £8m. forecast. Hammerson's unique valuation policy makes it impossible to fit in with the broker's net asset rules. But Sebag believes assets to be around £9 a share and feels that the stock is cheap. Town Centre and Scottish Metropolitan are selected from the provincial groups. And as yet another bull of industrial property Sebag backs Property Security Investment Trust Brixton Estate and Slough Estates.

Information available on Town and City is seen as defying "meaningful analysis," and the shares are branded with an "extreme caution" note. Centrovincial, with "too much short term debt for comfort; Daejan, overshadowed by well publicised problems with the private Freshwater companies; and Law Land are also rated as speculative. Sebag awaits a British Land-style refinancing at Regional Properties before considering the shares.



Indexation fever rages unchecked through the agency world. Hillier, Parker, May and Rowden's indices of property rents, published jointly with the Investors Chronicle, are due to be updated later this month. And Hillier Parker's slide-rule wizard, Dr. Schiller, is discussing the project with the Institute of Actuaries. The Actuaries are also searching for rent data with the aid of the Royal Institution of Chartered Surveyors, whose pilot study follows the rent fortunes of 24 City of London offices representing all classes of building.

The Actuaries will soon be able to add an Estate Times survey of rents to their reading list, a survey that seems to draw inspiration from the RICS/FT quarterly poll of business indicators. We are also entering the Christmas season for agents' annual market reviews — no doubt fairly bulging with charts, graphs and indices. Savills start the ball rolling this week end with a warning to interest rate buffs of "a fundamental illogicality in buying the longest-term investment at a price which is derived from the shortest term and most political of factors, the price of money."

In the meantime, Healey and Baker has expanded its monthly publication of prime property yields by delving back in its internal records to 1970. Allsop still holds the index game record with yield tables ranging back to the 1920s. But it is only a matter of time . . .

In brief . . .

● It seems probable that the British Property Federation will recommend annual valuations of property company accounts when it presents comments on reporting standards to the accountancy profession. Mr. Phillip Sober, the Stoy Hayward account who chairs the BPF's accountancy working party, hopes that annual valuations, along with standard treatment for interest capitalisation and wider disclosure of revenue and portfolio information, will head off the accountants' calls for depreciation charges.

But even if the BPF convinces the accountants annual valuations are unlikely to mean a bonanza for valuers. MEPC put the point bluntly this week. It has abandoned its controversial three year rolling programme of valuations in favour of an annual valuation. But as the Royal Institution of Chartered Surveyors ruled and as the accountancy profession has accepted, except in the case of a takeover, there are no qualitative distinction between an internal and an external valuation, if carried out by a professional. And at around £150,000 a time MEPC for one is not planning to invite external valuers in every year.

INDUSTRIAL AND BUSINESS PROPERTY

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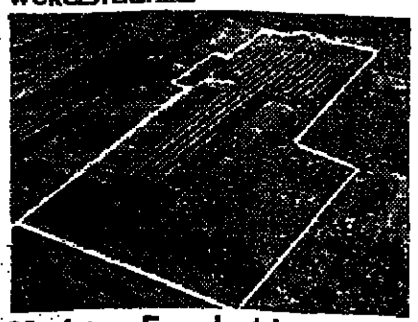

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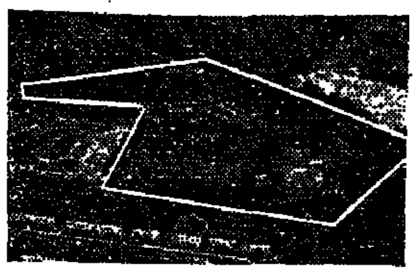

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Reynell's, 30/32 Fleet Street, London, EC4Y 1AA

Venice — Lido
As from 15th March 1978 for sale due to special circumstances (lease with purchase of the complete inventory possible).
leading hotel
(170 beds)
in favourable position, with existing staff. Most of the hotel is already booked for 1978. Season from mid-March to mid-October. The hotel has been in family possession for many years and is managed with great tradition.
The inventory must be purchased.
The hotel also owns 30 beach huts.
Enquiries to Chiffre OFA 2591 Zx, Orell Füssli Werbe AG, Holbeinstrasse 22, 8022 Zürich.

FOR DISPOSAL
Well established Suspended Ceiling Contracting business based in South Wales
The Company has a good order book and an experienced workforce is available.
Turnover in excess of £400,000
Write Box AD541,
Reynell's, 30/32 Fleet Street, London, EC4Y 1AA

Well established
PLASTICS COMPANY
engaged in the manufacture and sale of plastic extrusions for building and industrial fields and consumer market. T/O approx. £2 million p.a. Excellent modern works and plant. Existing management team and trained labour force. Order book. Good potential. For sale.
Principals only apply Box T.4784, Financial Times, 10, Cannon Street, EC4P 4BY.

FORD MAIN DEALERSHIP FOR SALE
SOUTH EAST ENGLAND
Write Box T.4778, Financial Times,
10, Cannon Street, EC4P 4BY.

BUSINESS FOR SALE
£55,000
Part of the assets of the company for sale, for the complete manufacture of a polythene film product, overall net profit forecast is in excess of £50,000 per annum, which can be fully justified. Machinery still in operation and is producing very profitable item which has high sales outlets and demand throughout the United Kingdom. Finance is available.
Principal parties only
Write Box G1068, Financial Times
10 Cannon Street, EC4P 4BY

WESTCOUNTRY HOLIDAY VILLAGE
Enjoying good occupancy and resulting trading figures, from its existing Chalets, Bar and Shop, now the subject of an exciting redevelopment scheme, envisaging phasing in all new units and Leisure Centre.
£200,000 Freehold
RAYBOULDS
Chalet/Caravan Park Specialists
66 Babbacombe Road
Babbacombe, Torquay
Tel: 0803 39375/6

SMALL FREEHOLD
INDUSTRIAL TRADING ESTATE
FOR SALE—NTH. NORFOLK
One Acre with 20,000 sq. ft. of small units nearly all leased.
£270,000
Write Box T.4770, Financial Times, 10, Cannon Street, EC4P 4BY.

FISH FARM, rainbow trout, U.K., producing 100 tonnes per annum. See Saturday's Property Section.

PRINTING GROUP, near London. Modern and well equipped. High quality work. Profitable. Net assets worth £350,000. Principals only. Write Box T.4782, Financial Times, 10, Cannon St., EC4P 4BY.

TV, RADIO & HI-FI BUSINESS for sale. Substantial rental content. Excellent profit record. Principals only. Write Box T.4783, Financial Times, 10, Cannon Street, EC4P 4BY.

COMPANY NOTICE

TRANSVAAL CONSOLIDATED LAND AND EXPLORATION COMPANY LIMITED
(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

PAYMENT OF COUPON NO. 77

With reference to the company's profit announcement and dividend notice advertised in the press on 28th October, 1977 the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of this dividend, payment from the offices of the Secretaries of the company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 28th November, 1977.

Payment will be made against coupon No. 77 on or after 4th January, 1978 in U.K. currency at the London Bearer Reception Office of Charter Consolidated Limited, 40, Holborn Viaduct, London EC1P 1AJ or in French currency at Credit Lyonnais, 19, Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. United Kingdom income tax will also be deducted from coupons presented for payment at the London Bearer Reception Office unless coupons are accompanied by Inland Revenue declarations. Where such deductions are made the net amount of the dividend is as follows:

	South African Currency Per Share	U.K. Currency Equivalent Per Share
	Cents	Pence
Amount of dividend declared	65.00	40.96784
Less South African non-resident shareholders' tax at 15%	9.75	6.14517
	55.25	34.82267
Less U.K. income tax at 15%		7.78355
		27.03878

Secretaries of the Company in the United Kingdom:
Charter Consolidated Limited,
40, Holborn Viaduct,
London EC1P 1AJ.
1st December, 1977.

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state: Under the double taxation agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the basic rate of 34% represents an allowance of credit at the rate of 15%.

APPOINTMENTS

ART GALLERIES

COMPANY NOTICES

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
(Incorporated in the Republic of South Africa)

GOLD MINING COMPANIES DIVIDENDS

The following dividends have been declared payable in the currency of the Republic of South Africa, to members registered in the books of the companies concerned at the close of business on Thursday, 15th December, 1977 and, where applicable in the case of The Randfontein Estates Gold Mining Company, Witwatersrand, Limited to persons presenting to the London Bearer Reception Office coupon No. 85 detached from share warrants to bearer in terms of a notice to be issued by the London Secretaries and published in January 1978.

Name of Company (each of which is incorporated in the Republic of South Africa)	Dividend Number	Per share/unit of stock Cents
Elsburg Gold Mining Company Limited	9	4.55
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited	85	200.00
Western Areas Gold Mining Company Limited	25	7.00

The dividends are declared subject to conditions which can be inspected at or obtained from the companies' Johannesburg office or from the office of the London Secretaries (Barnato Brothers Limited of 99 Bishopsgate, London EC2M 3XE).

Subject to the said conditions, payment by the London Secretaries and the London Bearer Reception Office will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 23rd January 1978, provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted from either the Johannesburg office or the office of the London Secretaries, as appropriate, on 2nd February, 1978.

South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from the dividends where applicable.

The Share Transfer Books and Registers of Members will be closed from 16th to 30th December, 1977, both days inclusive.

By order of the Boards.
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED.
Secretaries
per: R. B. APPLETON.

Head Offices and Registered Offices:
Consolidated Building,
Corner of Fox and Harrison Streets,
P.O. Box 590,
JOHANNESBURG, 2000.
1st December, 1977.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 88

With reference to the notice of declaration of dividend advertised in the press on 25th November, 1977, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 12 cents per share was declared in South African currency. South African non-resident shareholders' tax at 1.60970 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 10.39030 cents per share.

The dividend on bearer shares will be paid on or after 13th January, 1978, against surrender of coupon No. 88 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:
Credit du Nord,
6-8, Boulevard Haussmann,
Paris 9e.
Banque Bruxelles Lambert,
2, Rue de la Regence,
1000 Brussels
Societe Generale de Banque,
3, Montagne du Parc,
1000 Brussels
Swiss Bank Corporation,
1, Aeschenvorstadt
Basle 4002
Banque Internationale a Luxembourg SA
2 Boulevard Royal,
Luxembourg
Union Bank of Switzerland,
Bahnhofstrasse 45,
Zurich.
Payments in respect of coupons lodged at the office of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the Continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the Continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40, Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged prior to 30th December, 1977, at the United Kingdom currency equivalent of the rand currency value of their dividend on 3rd January, 1978, or;

(ii) in respect of coupons lodged during the period 30th December, 1977, to 4th January, 1978, both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 9th January, 1978, or;

(iii) in respect of coupons lodged on or after 5th January, 1978, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom Income tax will be deducted from payments in United Kingdom currency in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue declarations. Where such deduction is made, the amount of the dividend will be reduced by ... cents per share arrived at as under:—

	Cents per share
Amount of dividend declared	12.00000
Less: South African non-resident shareholders' tax	1.60970
	10.39030
Less: U.K. Income tax at 20.5556% on the gross amount of the dividend of 12 cents	2.47030
	7.92000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
J. C. GREENSMITH

London Office:
40, Holborn Viaduct,
EC1P 1AJ.
2nd December, 1977.

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state that under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 20.55556% instead of the basic rate of 34% represents an allowance of credit at the rate of 13.4142%.

PRETORIA PORTLAND CEMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

NOTICE OF MEETING

The eighty-second annual general meeting of members of Pretoria Portland Cement Company Limited will be held in the Board Room, ... Johannesburg, on Wednesday, 11 January, 1978, at 11h.00 for the following business:
1. To receive and adopt the annual financial statements for the year ended 30 September, 1977.
2. To elect directors in accordance with the provisions of the articles of association.
3. To fix the remuneration of the auditors for the past audit.
4. To consider and, if deemed fit, to pass with or without modification the following resolution as an ordinary resolution: ...
5. To transact such other business as may be transacted at an annual general meeting.
To consider and, if deemed fit, to pass with or without modification the following resolution as a special resolution: ...

[illegible]

By Order of the Board,
F. D. W. PEACHEY
Secretary

Office of the London Secretaries:
Charter Consolidated Limited,
40, Holborn Viaduct,
London EC1P 1AJ.
29th November, 1977.

LEGAL NOTICES

No. 003631 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of BOGGI BROTHERS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 15th day of November 1977, presented to the said Court by THOMAS WETHERED & SONS LIMITED whose Registered Office is situate at The Brewery, Marlow in the County of Buckingham, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 19th day of December 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BIDDLE & CO.,
1, Gresham Street,
London, EC2V 7BU,
Agents for Messrs. Cripps & Shone of Marlow, Bucks.
Solicitors for the Petitioning Creditor.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of December, 1977.

No. 003760 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of VAUGHAN-EAST INVESTMENTS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 21st day of November 1977, presented to the said Court by JOHN HOLLIS OSBORNE and ROBERT ANTHONY SPOONER, trading as Propis (a firm), of 23 Grosvenor Street, London, W1X 9FE, property consultants and agents, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the 16th day of January 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

SWALES,
16, Clifford Street,
London W1X 1RG,
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 13th day of January, 1978.

No. 003795 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of B & I CHEMOPLAST LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 24th day of November 1977, presented to the said Court by COSMOS FREIGHTWAYS AGENCY LIMITED whose registered office is situate at 1, Cathedral Street, London Bridge, London, S.E.1. and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 16th day of January 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

DAVID SACKER & CO.,
4th Floor,
St. David's House,
16, New Cavendish Street,
London, W1M 7LJ,
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 13th day of January, 1978.

SENTRUST LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDEND

NOTICE IS HEREBY GIVEN that an interim dividend No. 23 of 12 cents per share has been declared payable to ordinary shareholders registered in the books of the company at the close of business on 15th December, 1977.

No instructions involving a change of the office of payment will be accepted after 15th December, 1977.

The register of members of the company will be closed from 16th December to 30th December 1977, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 7th February, 1978 or on the first day thereafter on which a rate of exchange is obtainable.

Non-resident shareholders' tax of 15% will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa.

Payment will be made by the transfer secretaries mentioned below, on or about 17th February 1978.

The full conditions of payment may be inspected at or obtained from the head office or the offices of the transfer secretaries of the company.

By Order of the Board.
GENERAL MINING AND FINANCE CORPORATION LIMITED
London Secretaries,
per: L. W. Humphries.

London Office:
Princes House,
95 Gresham Street,
London, EC2V 7EN.
Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent. TN24 8EQ.
1st December, 1977.

CONSOLIDATED GOLD FIELDS LIMITED

RIGHTS ISSUE OF ORDINARY SHARES

As announced on 29th November, 1977, Consolidated Gold Fields received acceptances of more than 87.4 per cent, in respect of their recent rights issue to shareholders on the London register and to holders of share warrants to Bearer.

Ordinary shares not taken up have been sold by the Underwriters and the proceeds (after deducting the issue price and the expenses of sale) amount to approximately 2p per new share.

In accordance with the arrangements *referred to in the Company's circular* letter dated 4th November, 1977, the net proceeds will be distributed in proportion among the Ordinary shareholders on the London register and holders of Coupon No. 122 who were the provisional allottees originally entitled thereto.

Cheques will be posted on Friday, 16th December, 1977, to those shareholders entitled, by Lloyds Bank Limited, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA. In the case of holders of share warrants to Bearer who did not lodge Coupon No. 122 in time to claim their rights, Coupon Lodgement Forms for claiming payment are available at Midland Bank Limited, New Issue Department, Mariner House, Pepys Street, London EC3N 4DA. Payment will be made on 16th December, 1977 or six clear days after lodgement of the coupons, whichever is the later.

By Order of the Board.
P. F. G. ROE,
Secretary.

49 Moorgate,
London EC2R 6BQ.
2nd December, 1977.

NICHII COMPANY LIMITED

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs") EVIDENCING SHARES OF COMMON STOCK

Further to notice of November 22nd, the Interim Dividend of Yen 7.50 per share paid to shareholders as of record August 31st, 1977 has been converted to U.S. Dollars and amounts to U.S.$31.12 gross per EDR.

EDR holders should now present coupon No. 1 in order to claim the above dividend at either the office of the Depositary:
The Chase Manhattan Bank NA,
Woolgate House
Coleman Street
London EC2P 2HD
or at the office of the Depositary's Agent:
Chase Manhattan Bank
Luxembourg S.A.
47 Boulevard Royal
Luxembourg

In respect of presentations at both the above offices Japanese Withholding Tax at the rate of 20% will be deducted from the gross amount of the dividend unless a form of affidavit, satisfactory to the Depositary, is received evidencing residence in a country with which Japan has concluded a tax treaty or agreement providing for a lower rate of tax. In such cases the lower rate of tax would then be applied.

In respect of presentations at the office of the Depositary they should be accompanied by the usual affidavit of non-residence in the United Kingdom to enable distributions to be made free of United Kingdom tax.

THE CHASE MANHATTAN BANK N.A.
as DEPOSITARY
LONDON, 2nd December, 1977.

TRANSPARENT PAPER LIMITED

ORDINARY SHARES

An interim dividend in respect of the year ending 1st April, 1978, of 1.68p is declared on the Issued Ordinary Shares of the Company. The dividend is payable on 6th January, 1978, to Shareholders on the registers as at 6th December, 1977.

By Order of the Board.
P. MACLEAN,
Company Secretary.

Registered Office,
Bridge Hall Mills,
Bury, Lancashire.

Delfinopito

The Management Page

EDITED BY CHRISTOPHER LORENZ

Spain's co-operative buffer between capital and labour

FOR SOME time there has been a growing interest in the U.K. in developing worker co-operatives as an alternative form of industrial organisation which would remove the inherent conflicts of capital and labour and also provide a cure for alienation to work.

Yet up to now no ideal method of introducing them and maintaining them in business has been found. This is partly because of the attitude of trade unions, which is one of indifference bordering on opposition.

But the primary problem is to devise a method of providing co-operatives with capital and management expertise. Without these two ingredients, no co-operative can function effectively. To appreciate this one needs to look no further than the financial and managerial problems of the State-funded enterprises of Meriden or Kirkby Manufacturing and Engineering, or to a number of other much smaller co-operatives set up in recent years. The latter include some which have been started in the last few months through the Government's job creation programme.

The experience of a group of co-operatives in the Basque area of Spain centred around a town called Mondragon is of special relevance to this problem because it is broadly based on a bank, called the Caja Laboral, which takes in savings from the local communities and then invests the money in the co-operatives, so providing them with capital. The bank also provides the co-operatives with a strict management consultancy and monitoring service.

A further important ingredient of these co-operatives is that each worker has to put up an initial personal stake (separate from the bank's funding) of between £800 and £1,000, which gives him a personal involvement in its success.

This Mondragon community of co-operatives has received publicity in Britain during the past year and is regarded by some people as an alternative industrial democracy solution to unimpeded worker directors as proposed in the Bullock Report. Only the most committed supporters, however, believe that worker co-operatives could provide a universal solution for British industrial problems.

Regional

A more generally accepted view—which has captured some politicians, bankers and Government administrators—is that co-operatives could be viable as small- and medium-sized businesses, especially in closely knit areas of the country where workers are more aware of regional loyalties than of capital-labour class divisions.

This interest has now surfaced through a report* published this week which explains the Mondragon system against a broad background of worker co-operative and other industrial democracy developments in the U.K. and elsewhere.

The report has aroused the interest of Sir Arnold Weinstock, managing director of GEC (which is helping Meriden with its financial and management problems). Its main proponent among politicians is Mr. Jo Grimond, the former Liberal Party leader, who is actively interested in trying to create some sort of secretariat or unit to provide the type of managerial experience provided by the Mondragon bank. He is also interested in the notion of people's local savings being channelled into regional industry instead of the Government using taxation to build up its central funds which it then disburses in industrial grants.

Two bankers, who started out as sceptics, have also been won over, in their personal capacities, by the Mondragon experience. One is Mr. Charles Keen, senior local director of Barclays Bank in Reading, who is one of the authors of the report, while the other is Mr. Martin Smith, an assistant vice president of Citibank, who visited Mondragon recently with Mr. Grimond.

At a seminar in London this week, Mr. Smith said he thought the Mondragon style of worker co-operatives was one way of coping with the problems of the ownership structure of British industry. These problems centred on the right to manage still being vested in shareholders, even though their role in the cash flow of a business was now very small.

"Because of this, managers are fighting with an anomoly," says Mr. Smith. "Mondragon on the other hand has found a method which removes the anomaly and also merges the short-term interests of the shop floor with the long-term interests of capital. The Mondragon bank therefore acts as a buffer between the potentially conflicting interests of capital and labour."

The Mondragon co-operatives have been built up over the past 21 years and owe much of their success to special local factors such as Basque independence fervour and the banning for many years of effective Spanish trade unions. There are now more than 70 enterprises with a combined annual turnover in excess of £200m. and a total labour force of 13,000. The biggest business is Ulgor, a domestic appliance manufacturer which now has nearly 3,500 employees and is regarded as being too big for effective co-operative methods which are thought to be most suitable for workforces of not more than 500 people. Ulgor has had industrial relations problems and suffered Mondragon's only strike in 1974.

When a new co-operative is being started in Mondragon, its workforce is expected to raise roughly 20 per cent. of the capital required which often averages out at about £2,000 a head. Workers joining later can buy-in with only about £1,000 and then, when they leave, can withdraw what amounts to an accumulated capital stake of maybe some £10,000 to £15,000.

A further 20 per cent. of the capital required is provided by the Spanish Government and the remaining 60 per cent. is put up by the Caja Laboral bank which is itself a workers' co-operative. Set up in 1959, this is a savings bank and now has 64 mainly small branches, with deposits totalling some £95m. and capital and reserves amounting to £15m.

When it invests in a co-operative, after an exhaustive product and marketing feasibility study and a build-up period that can last for a total of two years, the bank draws up a contract of association with the co-operative. This sets the ground rules for the co-operative's management and is intended to ensure that democratic worker-control does not lead to short-sighted muddles and mistakes. Rules cover a three-to-one ratio between top salaries and lowest wages, and other financial and industrial matters such as accountancy, auditing, the depositing of surplus cash with the bank, and mutual help for other co-operatives.

The management consultancy side of the bank's operations is carried out by its "Empresarial division" which has a staff of 90. It is responsible for long-term economic forecasts and planning, for co-ordinating and monitoring the businesses, for carrying out the initial feasibility studies, and for handling day-to-day management problems. It includes a promotion department of nine people dealing with the general issues, seven of whom are allocated as "godfathers" to launch new co-operatives which in practice means that about four or five can be started each year.

Then there are four engineering experts to help with product and plant design and with production, stock and quality control issues. Six people from a direction department which handles overall planning of the group, monitors performance, and intervenes when necessary in a co-operative's affairs.

For example, when a co-operative runs into serious trouble, the division will move quickly either to sort out its problems or to close it down and switch its labour force, maybe in the same buildings, to other work. Other specialist departments cover town planning and development, industrial installations, personnel including training, accountancy, housing, special problems of agricultural co-operatives, education in the communities' schools, and research.

Before it will allow a co-operative to open for business, the bank will make sure it has an adequate workforce, a viable product and an experienced manager. If the workgroup does not include managerial talent, the bank will put up three or four candidates for the job of manager.

Monitoring

In this way the bank therefore provides the initial managerial input when a co-operative is being created. It also ensures that the resident manager will be adequate, and then provides specialist help and a monitoring service to keep the co-operative in business. As a result of this, the bank's financial section has never lost any money it has invested in its co-operatives.

Clearly there would be a major problem in trying to import all these aspects of the Mondragon co-operatives into the U.K. Perhaps the most difficult would be to set up a bank — either regionally or nationally — and to persuade workers to invest their savings in their place of work. Some advocates of co-operatives however believe that redundant workers (from, for example, the steel industry) who can have pay-offs running into several thousands of pounds might become interested.

Arrangements could also be made for workers without any capital to borrow their stake and then pay it back out of their wages. This happens at Mondragon and is also organised in this country by an organisation called Industrial Common Ownership Finance which was set up with £250,000 of Government money to help co-operatives three months ago and which insists on the enterprises it backs having stakes from individual workers.

The authors of the Mondragon report realise the problems of setting up a special bank and so simply advocate the creation of a secretariat which could begin to perform the management consultancy functions of the Caja, maybe with the Government matching the workers' financial stake as at Mondragon.

Whether this happens remains to be seen: what is certain is that the credibility of workers' co-operatives in Britain depends on future enterprises having sufficient capital and managerial skill.

* *Worker-Owners: The Mondragon Achievement. Anglo-German Foundation for the Study of Industrial Society, St. Stephens House, Victoria Embankment, London, S.W.1. Price £2.90.*

John Elliott

A cordial way of shelling out facts to shareholders

IF NUMBERS are anything to go by, Shell is probably feeling well satisfied with the way its experiment in communications with its shareholders has gone this week. By yesterday evening around 3,000 shareholders living in Brighton and the surrounding area had taken advantage of an invitation to a get-together with the company's management at the town's conference centre. And a further 1,000 or so are due to repeat the process at two additional meetings on January 24.

Shell almost certainly has broken new ground with this latest initiative, although the full implications of what it is doing will probably not emerge until after a similar function has been held in Manchester next February. Indeed, at this stage, the company itself is anxious that not too much should be made of what it is doing for fear that the importance of this type of meeting may be judged in isolation, rather than in the wider context of its overall effort to communicate with the public generally, with employees and with specialist groups, such as financial analysts.

That said, however, it is worth examining what Shell is attempting to achieve. For it may be a pointer to the way in which other large British companies could enable an enormous body of shareholders —Shell has around 400,000—to participate more closely with the company they choose to invest in and to understand more about what it does.

The idea for a more informal type of meeting with shareholders was originally put forward by Mr. Michael Pocock, chairman and managing director of Shell Transport and Trading, the U.K. arm of the Royal Dutch/Shell Group. Thereafter it was developed on a practical basis by both senior Shell Transport executives and the company's public affairs department. Behind the idea was the company's belief, as explained to shareholders at the meetings this week, that they are not only interested in their investment but "are entitled to know how and what the business is doing."

Mr. Bill Bell, a managing director of Shell U.K., gets to know Shell shareholders. *Terry Kirk*

The format developed was for informal meetings for invited shareholders in various parts of the country where concentrations of shareholders were to be found. Shell's registrars spotlighted the concentrations and Brighton, with a large number of shareholders living in the town and within a 15-mile radius, was chosen for the pilot project.

It was also part of the design that the meetings should have a theme rather than a wide-ranging general discussion which might possibly defeat the objective of creating a greater understanding of the group's business. Thus, North Sea oil was chosen as the most readily identifiable subject, and the format for the meetings embraced a film outlining the development of offshore drilling and the company's scale of operations in the North Sea, followed by a short talk and then a discussion period to allow shareholders to ask questions.

Message

These face-to-face "confrontations" are seen in the U.S. as the best way of getting a message across and generating a more vigorous inter-relationship between management and shareholders, but Shell did not do any research into the way U.S. companies hold such meetings, preferring instead to let things develop "in a British way."

The first and subsequent meetings were without doubt surprisingly well attended. But if a response rate of over 47 per cent. to invitations sent out—for the Brighton meetings 11,400 invitations went out and 5,406 tickets were requested—becomes the norm it seems unlikely that the air of informality first envisaged by the company can be achieved. Nonetheless, at the afternoon meeting on Tuesday the audience seemed attentive to the speakers and were certainly impressed by the scale of operations depicted.

Against expectations, a great many people seemed eager to ask questions, although they concentrated on what Shell's resources of oil and gas were and what it was doing about exploration rather than on the wider aspects of the company's business and finances. One unexpected question came from an elderly lady who wanted to know whether the oil platforms are safe from attack by enemy submarines—it seems they are not.

Comments of shareholders after the meeting showed that they had enjoyed the occasion, and considered it to be a worthwhile exercise which should be repeated regularly. Nonetheless, the problem of creating an ideal format was highlighted when shareholders started making suggestions ranging from less discussion and more information from the Shell executives to a great deal more information on by-products and other Shell activities instead of concentration on one subject.

The cost of the operation was about £3 to £4 a head—a total of £20,000 at the most for all the meetings. If repeated around the country with the same rate of response a total expenditure of approaching £700,000 would be involved. A high figure in isolation, but in the context of Shell's total effort in communications probably a very modest figure.

Awareness

For Shell has a full diary of events to ensure that it is getting its message across to the community as a whole. It has for several years held between four and five meetings per year in different parts of the world for financial analysts to explain what it is doing and to answer the analysts' questions—providing, of course, that unpublicised information which could affect the company's share price is not divulged. It has a whole range of communication channels with employees ranging from newspapers to talks given several times a year by group managing directors to meetings of up to 100 employees drawn from different job levels.

The latest development in Brighton therefore, in Shell's eyes, becomes just one more method of creating a greater awareness of what it does. But on another level it may emerge as something more important. Annual meetings of companies are notorious for being uneventful occasions — except when a company is in real trouble — and Shell is no exception.

It rarely attracts more than 500 shareholders to its annual meeting and probably a majority of them are either representing a large institutional shareholder or are employee shareholders. Few questions are ever asked and this may well be because the meetings are formal occasions (shareholders may not understand their full significance) and follow a format which can make it very difficult to accommodate the type of question which shareholders might really want to ask.

Perhaps if big companies such as Shell go out to meet their shareholders rather than the reverse and create an atmosphere where they would be less inhibited about becoming involved in what, after all, is in law their company, a greater awareness of shareholders and their role may be created.

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Another look at comity

THE HOUSE of Lords ruled yesterday that directors of Rio Tinto-Zinc were not obliged to give evidence at a U.S. Court, in a case brought by a number of electricity utilities against Westinghouse for failing to supply a large amount of uranium it had undertaken to supply. This ruling is an important new episode in a continuing struggle by other countries to resist the attempt of U.S. Courts and Federal regulatory agencies to enforce their authority on foreign nationals transacting business outside the U.S., if this business is thought likely to have economic effects inside the U.S. The clash between U.S. assumptions and those of other Governments has been most marked in the operations of the Federal Maritime Commission, notably in relation to foreign shipping conferences, and in the enforcement of anti-trust law.

The RTZ affair comes into the latter category. Westinghouse, which stands to suffer severely if it loses the case brought against it by the power companies, filed a suit against a number of uranium producers, including companies in the RTZ group, on the grounds that they had taken part in an international cartel which had conspired to fix prices and deny Westinghouse supplies. The company, though not its directors, was released by the U.K. High Court from any obligation to give evidence in the first case.

RTZ appeal

Whatever the precise truth about the cartel—and hearings on the second case have yet to begin—the U.S. Department of Justice was simultaneously carrying out its own investigations, and in March of last year started formal criminal proceedings to determine whether the international uranium mining industry had breached U.S. anti-trust legislation. When the RTZ directors first appeared (at the U.S. Consulate in London) to give evidence in the case of the utilities against Westinghouse, they pleaded the Fifth Amendment—which releases one from the need to give evidence that might incriminate oneself. But the court then granted them personal immunity from criminal prosecution and so blocked this method of refusing to give evidence. RTZ then appealed to the Lords.

The findings of the Law Lords differed in detail, but there was general agreement that the RTZ directors had no obligation to give evidence or provide documents. The basic reason for this decision was that, by blocking the use of the Fifth Amendment, the U.S. Court had effectively turned a civil into a criminal trial. The evidence requested by Westinghouse (in a form that some of the Law Lords regarded in any case as unacceptably vague) was ostensibly for use in defending itself against the power companies but was actually to be used in the anti-trust case brought by the Department of Justice. And anti-trust offences though criminal in the U.S., are not so in this country.

Sovereignty

On purely legal grounds, therefore, the expansionary ambitions of U.S. agencies have been checked. It is to be hoped that this approach will be more effective than others in securing that "comity" between the interests of different governments which has been endangered by the U.S. approach. Legislation was actually passed here in 1964 (as in other countries) to enable governments to prohibit British companies or citizens from giving evidence in U.S. courts; but in practice because of the attitude of U.S. Courts, it has not been particularly effective. Diplomatic attempts to resolve the problem, which have been unsuccessful in the past, would inevitably be prolonged and could probably only deal with specific issues. The findings of the House of Lords may have a more direct and general effect on the attitude of the U.S. courts to matters of sovereignty: those who work in a tradition of common law tend to respect one another's decisions.

Paying for local service

IT HAS been a long cherished tradition of local government in this country that membership of a local council should be a voluntary public service. Even though the activities of local authorities have grown to the point where they are now absorbing some 17 per cent. of the gross domestic product, the idea that local councillors should receive a full-time salary is still widely regarded as both wrong in principle and unacceptable to public opinion. Such payments would irretrievably damage the voluntary principle and, though an analogy is sometimes made between councillors and MPs, who have been paid since 1911, there is in fact no comparison.

It has to be recognised on the other hand that, if local government is to be representative and efficient, then local authorities should be able to draw their membership from all sections of the public which means, among other things, that no-one should be deterred from standing by the prospect of incurring a severe financial loss. As the Lindsay committee put the point more than 30 years ago, members should be ready to make sacrifices and to do a great deal of work for which there would be no financial recompense, but "such sacrifices should not extend so far as to cause hardship to the persons concerned."

Established

The committee's report led to the first comprehensive system of councillors' allowances whereby they were able to claim a limited tax-free payment for expenses and loss of earnings incurred in performing certain approved duties. This system of financial loss allowances has since become the established method of reimbursing out-of-pocket costs for various kinds of public service including, even to-day, those incurred by co-opted members of local councils. But it was increasingly criticised by elected councillors and, as a result, it was replaced a few years ago by th epresent system of attendance allowances

This has quickly proved to be even more unsatisfactory. As the Robinson committee noted in its report yesterday, it is wrong in principle to relate payment solely to attendance — for there is no incentive for the prompt, efficient despatch of public business — and because of the way the scheme operates it has been wide open to allegations of, or in some cases actual, abuse. In its place, the committee proposes a complex multi-tier system of payments involving a basic stipend ranging from a minimum £1,000 a year for ordinary councillors up to a maximum of £4,000 for those with special responsibilities, such as council leaders and committee chairmen of the largest authorities, together with a resurrected financial loss allowance.

These proposals are neither appropriate nor acceptable. The committee says that the basic stipend would cover councillors' out-of-pocket costs (which, according to the committee's own survey, average barely £50 a year) and "recognise the positive value of their services to the community" but it apparently fails to see the threat that such payments would pose to the principle of voluntary service. Nor is the committee able to adduce any evidence to suggest that there is a financial deterrent to council membership, even among manual workers who are under-represented. Despite reorganisation, which has led to a 50 per cent. increase in the time put in by the average councillor, there is no shortage of people willing to stand.

Hardship

If councillors are to be paid then the payment should be related solely to any financial loss they incur. According to the committee, about 40 per cent. of councillors lose some earnings at present, but only 25 per cent. lose on balance after receiving attendance allowances, and only 15 per cent. lose more than £20 a month net. From figures in the report, it would seem that the total amount lost in earnings and expenses is about £4m. a year, as against £9½m. currently paid in attendance allowances and the £32m.-£33m. estimated cost of the committee's own scheme. A far more effective, and much less expensive, way of ensuring that the men and women who volunteer to manage our local affairs do not suffer hardship would be to re-introduce an improved financial loss scheme and leave it at that.

NEW ROLE FOR THE RUTHERFORD LABORATORY

BY DAVID FISHLOCK

Engineering: the shape of things to come

NIMROD, the British atom smasher, is about to retire after 13 years, but its place in the Rutherford Laboratory *will be taken by modern* marvels designed to fertilise British engineering in the 1980s: novel instruments generating powerful beams of neutrons and light; ways of making electronic components barely visible even under a microscope; energy technologies using man's nearest approach yet to perpetual motion.

This kind of vista has been opened up by the senior scientists on the governing body of the Science Research Council. Broadly, their aim is to set up a national research centre devoted to making engineering more sexy, at the biggest of the national laboratories under the aegis of the Department of Education and Science. If their scheme works, by the 1980s its success could be seen in industrial activities as disparate as electronic manufacture, engineering design, and energy technology.

They have begun to build a new precision engineering facility for micro-miniaturising electronic circuits to a degree that will make present-day products appear coarse and clumsy. Instead of using ultraviolet lamps to inscribe the incredibly fine circuit patterns, as manufacturers do to-day, they will be using beams of electrons steered by a computer. Within another year British researchers could be taking their first steps towards making circuits having the equivalent of 500,000 components on a single semi-conductor chip.

The Rutherford Laboratory at Chilton near Didcot is named after one of Britain's most famous experimental scientists. It has a staff of 1,200 and a budget of about £18m. Within a few months the role for which it was originally planned 20 years ago will have come to an end. That role has been to support high-energy physics in British universities by providing a powerful facility where scientists could perform their atom-smashing experiments. Nimrod has given scientists splendid sup*port since 1964. But far more* energetic hunters of new fundamental particles of matter have come along since, more cost-effective than Nimrod, whose electricity bill alone is £1.6m. a year. The Science Research Council has elected to put all its funds for atom-smashing, which amount to £23m. a year, into the big new international facility near Geneva.

The problem for the policy-makers has been to find a new role for a large and successful research centre, still attuned to its task of supporting university research in Britain. As its director, Dr. Godfrey Stafford, observes, if the laboratory is to be accepted by university scientists as a place they are willing to associate with, it must maintain its own high scientific integrity. Unfortunately, no single new mission which the Science Research Council can envisage paying for to-day, warrants the Rutherford's full resources.

The new mission for which it is being groomed is intended to make use of its experience in advanced engineering design and construction. It expects to participate in some of the most adventurous engineering projects in Britain, by providing powerful facilities for harnessing magnetic fields, and laser, electron, and neutron beams.

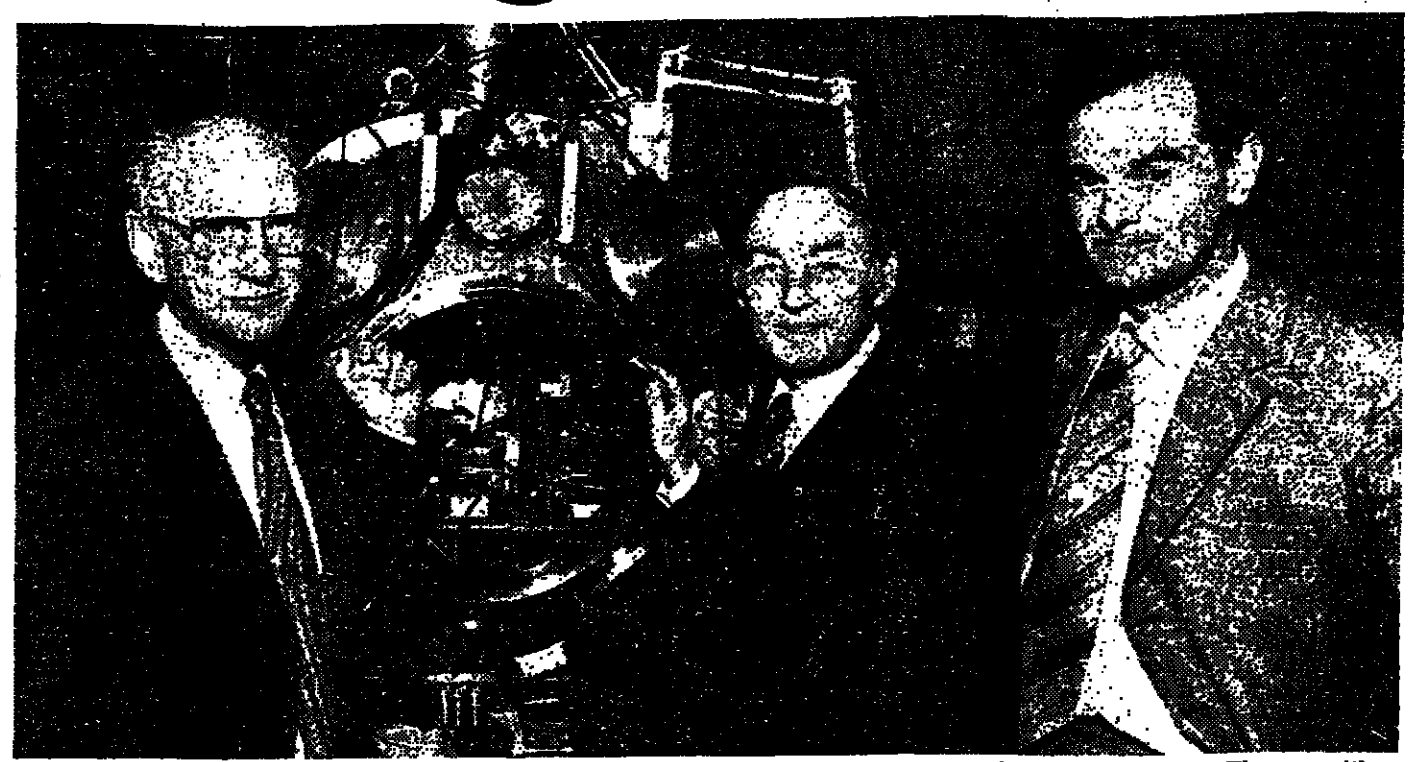
The biggest of the projects within sight, which is expected to absorb about 20 per cent. of the Rutherford's resources, is the construction of a source of high-intensity neutron beams. Such beams, in the hands of chemists and physicists, can reveal more about the structure and behaviour of engineering materials than light or X-rays. It will be possible to use the new machine like a cine camera to watch the individual molecules of a plastic component folding and unfolding while it is being stressed. It may also prove possible to use it as a surgeon's scalpel, to excise a tumour very precisely and without drawing blood.

The Spallation Neutron Source (SNS), as it is called, has been designed at the Rutherford to make the greatest use of existing technology by cannibalising Nimrod and another abandoned British atom-smasher. Instead of an estimated £36m. for a machine built from scratch, Dr. Stafford expects to build the SNS for only £11m.—"an excellent example of what can be achieved in a multi-disciplinary laboratory." Its purpose will be to fire bursts of protons into a piece of uranium which, by the twin processes of "spallatation"—a form of erosion—and of nuclear fission, will unleash a blast of neutrons. As a *source of neutrons it will be* 1,000 times as intense as Nimrod.

The role of the SNS will be quite different from that of Nimrod: it will be to offer scientists in many different fields access to an extraordinarily powerful kind of microscope. *Thus while Dr. Geoffrey* Manning, the Rutherford's deputy director, is managing its design and construction over the next four years, Dr. Leo Hobbes will be organising a neutron beam service for an estimated 300 "customers" throughout the U.K. It is Dr. Hobbes' task to tailor the experimental facilities —such as medical facilities where patients might come under a computer-controlled "knife"—so that his customers get the greatest value around-the-clock from the SNS.

Earlier this year such a service was launched for 14 universities wanting to use high-powered lasers. At a cost of about £750,000 the Rutherford has set up its Laser Facility, built around what probably is Europe's most powerful laser except those in one or two military research centres. *Beyond the military interest*—where a key one is the possibility of simulating the conditions of H-bomb explosions in the laboratory—scientists see a laser as a convenient way of studying the kind of physics and chemistry that occur in the sun. They can do this by focusing enough energy on a small gas-filled glass sphere, so that it implodes to create a micro-miniature holocaust.

Dr. Alan Gibson, who is in charge of the laser facility, and helped design and set up its big laser, has his own research programe for developing ever more powerful lasers. At present his *laser, generating peak powers of 800 GW (800 bn. watts)*, can be "fired" only every half-hour, to allow enough time for the glasswork to cool off. The only way he can envisage an efficiency and hence a repetition rate high enough to sustain, say, controlled thermonuclear fusion, *would be to develop a giant gas* laser. That must be a long-term ambition. Dr. Gibson's main task is to manage a piece of advanced engineering in such a way as to keep researchers in 14 universities contented, and his existing laser technology developing as rapidly as funds will permit.



Dr. Godfrey Stafford (left), director of the Rutherford Laboratory, Dr. Alan Gibson (centre) and Dr. David Thomas, with their laser target vessel, in which giant laser pulses can heat materials far beyond incandescence.

Standardised software

Last year a panel under the chairmanship of Professor Geof*frey Allen* (who has since become chairman of the Science Research Council) recommended that the Rutherford's skills in advanced engineering should be turned to the support of engineering research and development. The first big venture was to apply its wide experience of computing into providing a service for university designers. The Rutherford plans to instal hundreds of computer terminals in university engineering departments, on-line by fast data links to its big computers. Eventually almost every British university will have at least one, forecasts Dr. David Thomas, in charge of the new engineering projects. They will also have access to a suite of engineering programs being written at the Rutherford; standardised computer software for electromagnetics, stress calculations, fluid dynamics, etc.

Dr. Thomas also has charge *of Britain's biggest effort in* superconducting engineering. The lure of superconductors lies in the way electrical resistance disappears at very low temperatures. The current keeps circulating in a superconducting winding with little or no loss—the closest science has come to perpetual motion. The engineering design problems of harnessing this highly desirable phenomenon have been daunting, however. But he points out that at least one British company, English China Clays, is now using superconductors in industry, in a magnetic separator removing iron particles from its product. If JET, the £120m. Joint European Torus, to be built just a few miles away to explore the science of controlled nuclear fusion, proves a success, the next experiment will certainly *need superconducting magnets*.

Dr. Thomas's latest engineering venture, approved only this autumn, is to set up the Electron Beam Lithography Facility, for which he has been allocated £580,000 as a start. It is the major component of a £1m.-plus national project for advancing the technology of *micro-electronic circuits*. Theoretically electron beams could be used to make integrated circuits 50 times as compact as those in production to-day.

The centrepiece of the facility will be a very advanced kind of computer-controlled machine tool called the Cambridge EBMF-2 Microfabricator, costing upwards of £250,000, used to machine masks—the templates —for integrated circuits. This is a development of Cambridge Instruments' scanning electron microscope. The aim is to achieve a positional accuracy of one-tenth of a micron (or a ten-millionth of a metre) for the "cutting tool" — a scanning beam of electrons—using a laser instrument to achieve this phenomenal precision. For obvious reasons the microfabricator and its associated equipment must be operated in an extremely clean environment.

Cambridge Instruments, which has promised the Rutherford delivery next September, also has British Government orders for two other microfabricators, scheduled for delivery next summer. These two are being purchased by the Department of Industry under a pre-production contract, and will go to GEC's Hirst Research Centre at Wembley and Plessey's research centre at Caswell. Experience with the three machines will be pooled in a national project aimed (1) at further developing the microfabricator, a machine with considerable export potential; (2) at developing the all-important software that will drive the machine to draw circuits directly by magnetic tape; and (3) advancing associated manufacturing and inspection techniques *to the new* degrees of finesse *dictated by* electron-beam lithography.

Dr. Colin Fisher, Cambridge Instrument's managing director, is confident that the new manufacturing technology is the way in which all high-performance electronic circuits will be made within a few years. But he believes the microfabricator itself is well ahead of other parts of the technology at the moment—a problem for his company, which cannot itself contemplate the research and development effort needed to advance the complete manufacturing package. *The national* electron-beam project, bringing together industrial and university research and the Rutherford's new facility, aims to do just that.

Very advanced electronic circuits—very large scale integra*tion, as it is called*—are already being designed in British universities. These include University College, London where Professor Eric Ash is advising on the Rutherford project. Four others—Edinburgh, Sheffield, Southampton and Surrey have shown particular interest in collaborating. The Engineering Department of Cambridge University, which has worked closely with Cambridge Instruments in developing electron-beam technology, is planning an international conference on microcircuit engineering next spring. Early in 1979 Dr. Thomas hopes that his university "customers" will be cutting the first masks for their circuits in the Rutherford Laboratory's new Electron Beam Lithography facility.

MEN AND MATTERS

Peachey clears the decks

The Peachey Property Board is left looking distinctly thin following the resignation yesterday of the last two representatives of the *ancien regime*, finance director Michael Kettell and Stephen Thompson.

There is also a slightly hollow ring at Barclays Merchant Bank following the departure on Tuesday of Charles Ball, take-over expert extra-ordinaire and the man who, inter alia, helped Peachey recently fight off the bid from Allied London Properties.

Putting two and two together in time-honoured City fashion has produced an outbreak of speculation that Ball might shortly be offered a post on the Peachey Board. Peachey managing director John Brown is not the man to fall for that sort of trap, however, as I found out when I asked him to comment: "You'll have to ask (chairman) Lord Mais about that one." Unfortunately Lord Mais was "unavailable," a *factor I regretted* even more when I asked Ball to comment and he gently pointed out that one does not just join a Board, one is invited to join—which again left the ball, as it were, in Lord Mais's (empty) court.

Pressed on the point, however, *Ball did concede that if* the invitation came he would have to consider it. "Having defended Peachey under difficult circumstances during the bid shows I have a certain interest," he explained.

Meanwhile, Ball's departure from Barclay's has left some loose ends, of which the continuing Crane Fruehauf bid is perhaps the most important. It has already dragged on for over a year, a saga of epic proportions including a Monopolies Commission probe and a tussle in the U.S. Courts. Ball made it clear that he is on call should his advice still be required, although he added "I think we have provided for all the possible permutations and worked out the sort of decisions required, no matter which way the bid finally goes."

Rough shooting

A certain frost can be detected in the air between Debrett's and Holland and Holland, grandest of British gunmakers. The cause is a sudden change *of venue for a reception thrown* last night by the publishers of those weighty guidebooks on the upper crust. A number of sporting peers and other persons of quality were given a last-minute injunction not to assemble in the Mayfair showrooms of Holland and Holland, but to go instead to the Turf Club, down in Carlton House Terrace. The cause of this sudden switch is rumoured to be a lack of enthusiasm by the gunmakers about the reason for the junket—a new book, published by Debrett's on Edwardian shooting parties.

At first this sounds improbable: the book, *The Big Shots*, has been written by Jonathan Garnier Ruffer, a young barrister of impeccable background. It is adorned with diverting pictures of well-bred and well-fed sportsmen, including Edward VII himself, bringing down birds by the score. The list of acknowledgments includes a fair number of Debrett's more revered subjects. But it appears that on seeing a copy Holland and Holland thought the text a little too anecdotal and light-hearted —even racy; shooting is not a joking matter for gunmakers to royalty.

I asked Malcolm Lyall, managing director of Holland and Holland, what he thought of Ruffer's book: "Quite amusing—I liked the pictures." He declared that the reception was moved because Debrett's had invited 160 people, more than expected, so there was a security problem with so many guns around the showroom.

Would he be going to the Turf Club? He feared it might be difficult, because he was having to visit a sick aunt in Basingstoke.

"When the cost goes up to 5p the vandals will be saving us even more money!"

Telephone terror

The Post Office is treating with considerable wariness the possibility that an awesome invention for what the Americans call "telephone sales solicitation" may soon cross the Atlantic. It is called Telsol by the makers, Digital Products of Fort Lauderdale, Florida: you feed into the "sequential telephone dialer" the first three numbers of an exchange and it proceeds to call up every number on the exchange and put over a pre-recorded message. Already dozens of the machines are in use in the United States, although when I explained to a Post Office official how they worked he *sounded taken aback*. Could it happen here? He said: "Of course, it would be wrong of us to pass any premature judgment. But we would have to pay careful attention to the social implications before allowing it to be opearted."

In America, telephone selling has become *so insistent* that many subscribers are going ex-directory; that is no defence against the "sequential dialler," of course. Pressure from consumer groups has led to a bill in Congress, but in the home of private enterprise the support for it seems slim.

East sees Red

In a bid to reduce the muddle in Peking's chaotic streets, the city's police have now been told to get tough.

At morning and afternoon rush hour periods, loudspeakers bellow warnings to cyclists and motorists. The cyclist who casually crosses on a red light is being fined—on the spot—one or two yuan. That hurts, when the monthly average income is only 60 yuan (£18).

The one-cycle-one-person rule is also being rigidly enforced. In the past only foreigners have been pulled up by police for riding with a passenger on the back carrier or a child on the cross bar. All offenders are now obliged to pay up and to write a self-criticism. Some policemen have developed their own very Chinese way of implementing the new policy. They force an offending cyclist to stand next to them on the roadside, and release him only when he's managed to spot another cyclist making a mistake. The new offender then takes over.

Hard ride ahead?

Yesterday John Vorster's Nationalist Party swept back to power. For voters with anxieties about the road South Africa must take, it was also the day upon which seat belts became compulsory in the republic.

Observer

Jeffinopits

POLITICS TO-DAY

BY MALCOLM RUTHERFORD

Worst and best of U.S.-Europe relations

ON APRIL 23, 1973, Dr. Henry Kissinger, then the special assistant to President Nixon for National Security Affairs, made a famous, even notorious speech. The theme was "the year of Europe" but, as it turned out, 1973 was the worst year for European-American relations in the post-war period.

It is difficult, but instructive, to recall now quite how bad the strains in the relationship had become. There were suspicions in Europe of the developing American understanding with the Soviet Union. There was a feeling, probably justified, that U.S. foreign and U.S. economic policy were conducted in quite separate compartments. The U.S., for its part, feared that European economic integration might not, after all, lead to a strengthening of Atlantic unity, but even perhaps to the reverse. In Europe there was a view that the only way to establish a "European identity" was to do it in opposition to the U.S.

Dr. Kissinger's speech can be seen now as an attempt to repair the damage, but it was less than tactfully phrased and Europe objected in particular—again it is difficult to recall quite how strongly—to the following words: "The U.S. has global interests and responsibilities. Our European allies have regional interests." It seemed like a deliberate effort to underline Europe's second class status.

Then, before the dust had cleared, came the October war in the Middle East and further mutual recriminations. Europe feared that the U.S. had unnecessarily called a state of alert: it was afraid of a super-power confrontation; and there were bitter arguments about overflights for U.S. supplies to Israel. On top of all that, there was the oil embargo which, it was felt, the U.S. was much more able to withstand than either Europe or Japan. Throughout, there were deep divisions about the proper policy to be pursued towards the Arab world.

It is useful to return to that period now partly because the Middle East is again so much in the news, and partly to show how far we have come since then. Perhaps one should not speak too loudly, and certainly there are no grounds for suggesting that we have come anything like far enough, but transatlantic relations are a great deal better than they were. There is also a dialogue of a kind between the industrial democracies that includes Japan. More important in the Atlantic context, it is assumed that it is desirable that European-American relations should work smoothly. The voices calling for a Europe independent of the U.S. have gone quiet, yet at the same time it is arguable that something of a European identity has developed within the wider framework.

Trade policy

It is, of course, possible that a major breakdown could recur—perhaps again over the Middle East, though the nightmare currently haunting Foreign Ministries is that such unity as has been achieved will be destroyed by trade policy and protectionism. Leaving that aside, however, it is worth looking for the reasons why the improvement has come about.

One obvious starting point is that by the end of 1973 relations between Europe and the U.S. had become so strained that it was imperative to seek a rapprochement for fear of the possible consequences—at their starkest in the security field—of their getting yet worse. Part of the answer, too, must lie in the change in personalities. In 1973 Herr Brandt was in power in Bonn, M. Pompidou in Paris and Mr. Heath in London. None of them found it naturally easy to work with the U.S., though M. Pompidou certainly was an advance on his predecessor. Today it is difficult to imagine France ever having a more Atlanticist President than M. Giscard d'Estaing. Herr Schmidt in Bonn is an Atlanticist through and through, and the same could be said only more so for Mr. Callaghan in London.

Yet personalities are not enough: there have also been institutional changes, and changes too in the way the U.S. and Europe see themselves and their role in the world. For a start, British membership of the European Community has worked out in a way quite different from what many people would have predicted in 1973, and it has done so particularly through the development of political co-operation, which is not covered by the Treaty of Rome. Far from appearing, as many suspected, the Trojan horse for the Americans, Britain has been able to present its own, and sometimes American, ideas in a European forum. It has also been able to listen to, and absorb, the ideas of the other Europeans, and the aim has become first to establish agreement among themselves, and then, if possible, with the Americans.

One example of an idea once thought outrageous becoming accepted by a process of consultation is the French view of

Dr. Henry Kissinger: he stirred up European resentment.

the Palestinian nature of the Middle East question. That was developed after the Six Day War in 1967. It was gradually accepted by the British and now—admittedly by way of the Brookings Institution—it is reflected in the policies of President Carter. The most important point, however, is that both the Europeans and the Americans now accept the need to work together if a problem as crucial as that of the Middle East is to be resolved.

There have also been new uses put to existing machinery: for example, it is striking that the idea of the Economic Summit Meetings—perhaps the biggest innovation of all—was developed at a four power meeting on Berlin, the four powers being Britain, France, the U.S. and West Germany. One also suspects that it is the Berlin grouping which is responsible for co-ordinating western policies towards Yugoslavia, and probably to a great many other areas outside the geographical limits of the Nato treaty as well. Certainly it is noticeable that policy to Yugoslavia is being closely discussed: there have been enough western visits and statements to suggest a quietly orchestrated campaign to remind the Russians that the country is outside the Soviet camp, and must remain so. It is not without interest either that the 1979 meeting of the International Monetary Fund is due to be held in Belgrade.

The Economic Summit Meetings, of which there have been three so far and which also include Japan, again mark a major departure in terms of the world post-1973. They remain hampered by the inability of the European Community to decide how it should be represented and how far the European Commission should be allowed to take part, and it is largely for that reason that the Summits have not yet been fully institutionalised. Yet a kind of informal institutionalisation has already happened. It is kept going between summits by close consultation between senior officials. (In Britain the three principals involved are the head of the Cabinet Office, the head of the Foreign Office and the head of the Treasury.) Nor is it any longer difficult, as it was in 1973, for Heads of Government to talk to each other directly, and securely, over long distances.

Yet, the institutional and procedural changes apart, there have also been changes in the perception of power. The seminal event here was probably Angola which, it should be remembered, took place after Watergate and after the U.S. withdrawal from Vietnam. The U.S. did not intervene, but the Soviet Union—partly via Cuba—did. Altogether that was a total reversal of post-war doctrine. First of all, it was a new development for the Russians to be able to demonstrate their capability to intervene effectively so far afield. Secondly, it had always been held that a Soviet advance should be countered, if possible, wherever it took place. The Europeans watched with fascination as the Americans did almost nothing.

In fact, there were very strong arguments for standing aside, and for simply allowing the Russians enough rope to hang themselves. Moscow's record of success in take over bids outside Eastern Europe has not been great. It has been rebuffed in Indonesia, Egypt, India and now Somalia. But the evidence that the Soviet Union now had the capability to project its power so far, and to get away with it, set off a new debate among western countries. If the Americans were not going to intervene on their own, some of the Europeans wondered, should not perhaps the Europeans intervene themselves, or should they not at least seek closer consultations with the Americans in case such events were to recur elsewhere?

That same debate is going on now about events in the Horn of Africa. Again there are very respectable arguments for western non-intervention, in spite of the appeals from the Somali Government. The Russians may get themselves into such difficulties on the spot that there is no need to provide them with a western scapegoat. What is interesting, however, is the way the Europeans and the Americans are talking to each other about what is going on. Even if it is expedient and right to do nothing about the Horn except watch, the thought is crossing the mind that there might be other circumstances elsewhere where intervention might be necessary. If so, how should it be done?

In a small way, the Europeans have already provided some answers. Earlier this year, the French did intervene indirectly in Zaire by providing the airlift for the Moroccans and received a certain endorsement from the European Community for doing so. As for the West Germans, there was Mogadishu. Chancellor Schmidt denies this, saying that his Government used policemen carried by Lufthansa rather than military forces carried by the Luftwaffe. Nevertheless, the point remains that for the first time since the war the West German Government used force outside its own territory.

In a larger way, it is clear from remarks of Dr. Harold Brown, the U.S. Defence Secretary, that the U.S. is prepared to despatch its own forces outside the conventional Nato area. He has mentioned as examples the Middle East, the Gulf and Korea, and there has been no European outcry.

It would be ironic to conclude from all this that scarcely three years after the American withdrawal from Vietnam and after the virtual completion of decolonisation, there is an itch to get back into the intervention business. What one can say, however, is that there is a greater desire among the Europeans and the Americans to look at the world as a whole, and to do it together. It may not survive the tests. It may well fail on the Middle East in the next few weeks or months, and certainly there is a very real danger that it will fail on trade policy in the next year or so. But at least it is a very different situation from 1973.

Letters to the Editor

Monitoring efficiency

From Mr. R. Legge.

Sir,—I have read with dismay your report (November 24), on a speech by the chairman of the Price Commission at a Financial Times conference. Further, even more disturbing quotations appear in other newspapers.

Apparently there is to be a permanent monitoring of the efficiency of companies and setting of bench marks in the private and public sectors. Why the existing role of the Monopolies Commission to be duplicated at a time of great financial stringency? What expertise can Mr. Williams and his team of ... academics, etc., bring to this task? Above all, how does one analyse efficiency when involvement in manning levels and industrial relations is to be avoided? This means that the key factors in the poor efficiency of the public and private sectors are to be overlooked.

Which set of bench marks will be used to measure U.K. efficiency? If foreign levels of efficiency are employed then, with a few honourable exceptions, almost every economic activity in Britain can come under fire.

Given this possibility, just what does Mr. Williams' threat about "using the muscle to force them (to be more efficient)" really mean? To take the really outstanding examples, whose gross inefficiencies now weigh down the rest of the economy, and what muscle will be use on the nationalised industries?

Will he ask BSC to sack the 70,000 surplus employees it publicly owns to having on its books? (Or if manning levels are really taboo, will he just ask for wholesale plant closures, or what?) Will he tell the electricity supply authorities to start using capital, fuels and manpower as efficiently as our foreign competitors, and backed by what threats? Or will he simply refuse to allow legitimate price increases to private companies which can be bullied?

He rejects the "theory" that "the competitive system provides the best way of determining what is a fair price and ensuring maximum efficiency in doing so." If Mr. Williams does not believe in a market economy, is this view shared by his masters, HM Government? They should either say so or repudiate his views, which should help CBI and other bodies to assess their position after Mr. Williams' extraordinary outpourings.

If he really means what he has said, has he any experience of what a fully state-controlled economy can mean to the consumer as regards efficiency and fair prices? Perhaps he should journey east of Berlin to find out.

Mr. Williams apparently feels that the production of "400 to 500 reports over the decade" by his Commission will contribute to solving our admittedly appalling economic problems. Yes, indeed Mr. Williams, you would be "creating something no other industrial economy has" namely an even higher heap of irrelevant bureaucratic paper than NEDO itself has spewed forth.

My own recommendation for the Price Commission's contribution to greater efficiency of companies would be that its members consign themselves and their 400-500 reports to a "giant lumber-room in the sky" where at least they are removed from the backs of all those employees who are striving to keep our industrial companies afloat.

R. F. Legge.
47, Aplins Close,
Harpenden, Herts.

Record of OPEC aid flows

From the Director-General, OPEC Special Fund.

Sir,—Your assessment of the Organisation of Petroleum Exporting Countries' aid flows (November 25, Page 5) on ... of a UN Conference on Trade and Development report on these flows is unfortunate. The report involved, though only published in April, 1977, was distributed by UNCTAD in October, 1975, and covers only the period 1973 to mid-1975. At the date of its release it represented the most comprehensive ... on OPEC aid in international literature. Later research, however, covering the period 1973 to 1977 has revealed shortages of the 1975 report indicates a much more impressive record of OPEC aid ... This record is included in a new UNCTAD report, the draft of which has already been prepared. In the new report, which is to supersede the old one, the following points are clearly expressed.

Net disbursements of OPEC concessional flows to other developing countries were in the magnitude of $1.1bn. in 1973, $2.9bn. in 1974, $5.4bn. in 1975 and $5.2bn. in 1976, while net disbursements of non-concessional flows amounted to $1.0m., $4bn., $6bn. and $3.6bn. for each of these years respectively.

The gap between commitments and disbursements of aid flows, which was only natural in the initial period, has since narrowed considerably, especially with the wide scope of general support assistance in OPEC aid flows (about 50 per cent. of the amounts disbursed generally). Two OPEC countries ranked in 1976 among the six largest bilateral aid donors in absolute terms. Saudi Arabia was second only to the United States.

In 1976, OPEC countries occupied the top six ranks among donor countries as regards the proportion of foreign aid to GNP. While Western countries hardly achieved in 1974-76 an aid disbursement/GNP ratio of ... per cent., OPEC countries as a group reached the 2.7 per cent. ratio with the major donors exceeding 10 per cent. of their GNP. Furthermore, such percentages could rightly be expressed in higher figures if one considers the nature of oil revenues which represent a monetary form of a depleting national resource, not a net income of the donor countries.

The grant element in OPEC concessional flows is estimated at 51.3 per cent. in 1974, 73.6 per cent. in 1975 and 78.7 per cent. in 1976. In fact, it is higher than such percentages indicate, considering that all OPEC aid is untied to source.

Though almost 75 per cent. of the beneficiaries in 1974 of OPEC aid were Arab countries, this percentage became 63 per cent. in 1976. Concentration on Arab recipients, many of which are also among the most seriously affected and the least developed countries, is justified by obvious ethical, cultural and political considerations. Beneficiaries of OPEC aid exceed at present 63 countries in Africa, Asia and Latin America. Inter-Arab aid represents, however, the historical origin of the great new phenomenon of aid flows from developing countries sponsored almost exclusively by OPEC member countries and involving at present several non-Arab donors and recipients.

Your reporter would have done well by highlighting these new facts and figures rather than concentrating on some side remarks in a report written two years ago, which was otherwise commendable at the time of its writing, and repeating the outmoded and rejected claim that OPEC aid, which started in fact in the early 1960s, may or should compensate for the oil price increases of the 1970s. Worse still, was the lying in your report between the UNCTAD work in this area and the coincidental non-attendance by some Arab donor countries of a meeting on aid flows to the least developed countries. Surely your reporter will do better by getting his information from primary sources rather than echoing unfounded rumours.

Ibrahim F. I. Shihata,
P.O. Box 995,
1011 Vienna,
Austria.

Power plans at Torness

From the Chairman, The Scottish Campaign to Resist the Atomic Menace.

Sir,—In your feature on Scotland (November 23) you described the proposed "nuclear expansion." While largely accurate, there was one point where I feel that you are open to misinterpretation.

As you state, the South of Scotland Electricity Board is keen to start work on its next nuclear power station at Torness Point, East Lothian. It is not strictly true, however, that it has "planning clearance" for the site, regardless of reactor type.

According to a letter to the Scottish Campaign to Resist the Atomic Menace from the Scottish Economic Planning Department, "The consent granted by the Secretary of State on February 5, 1975, related specifically to the construction of a nuclear power station of the steam generating heavy water reactor type. That being so, SSEB does not have authority to proceed with the construction of a station at Torness incorporating any other type of reactor."

The SGHWR, as you suggested, is almost certain to be abandoned in the near future, and the Government is expected to opt for either an advanced gas-cooled reactor or a pressurised water reactor or both. This means that the Secretary of State for Scotland will have to revise his consent for Torness. In our view, given the marked rise in public awareness and concern since the original and rather inadequate inquiry, this would give a good opportunity for the full re-examination of the plans for Torness.

Rob Edwards.
2 Ainslie Place,
Edinburgh.

Tories and a fair wage

From Mr. Nigel Lawson, MP.

Sir,—Mr. Peter Riddell's critique in the Lombard column (November 30) of the Conservative approach to pay in general and public sector pay in particular, as set out in *The Right Approach to the Economy*, is (unusually) so muddled and confused that it is hard to grasp what he is really driving at.

Peering through the mists of his article, however, his main criticisms appear to be that the Tory approach does not "remove" the possibility of conflict, that "a significant breach of cash limits in one financial year" would produce certain practical difficulties, and that further problems arise from our unwillingness to accept that all public sector workers should enjoy precisely the same percentage annual wage rise.

Does Mr. Riddell really believe that, given free trade unions, the possibility of conflict—under any Government — can ever be "removed"? The Conservative approach is designed to minimise the likelihood of conflict, but above all to ensure that, should conflict arise, the Government is in the most favourable position to resolve it satisfactorily. Again, while cash limits are no panacea, they do provide a framework within which these problems can be tackled with the greatest possible chance of success, and one which is readily understandable to the general public who conduct their own household budgets within cash limits; moreover the intention is to ensure that, wherever possible, "a substantial breach of cash limits" is avoided. Finally, it is astonishing that Mr. Riddell should imply that all groups of workers in the public sector, irrespective of whether they are in shortage or in surplus, should get precisely the same annual pay increase (however tidy such a suggestion may appear at first sight).

Perhaps the greatest service Mr. Riddell could perform for your readers would be to contribute a second Lombard column on this important subject, this time setting out in detail his own preferred "pay policy." Before he does so, however, he might benefit from studying the analysis provided by his own eminent colleague, Mr. Samuel Brittan, assisted by Mr. Peter Lilley, in their recent book "*The Delusion of Incomes Policy.*"

Nigel Lawson.
House of Commons, S.W.1.

Post Office democracy

From Sir William Barlow, Chairman, The Post Office.

Sir,—I have read the article by John Lloyd (November 30), that states the Post Office experiment in industrial democracy is likely to go ahead without the support of the top management. As the term "top management" is vague, I must make it clear that this experiment has the full support of myself and the members of the Post Office board and we intend to do all we can to make it a success.

William Barlow.
23, Howland Street, W.1.

Relief from gains tax

From Mr. G. Lindsay.

Sir,—It is vital that we do not add unnecessary complications to our tax system, and the Inland Revenue must be right in being unenthusiastic about tapering or indexation for capital gains tax, because of the unjustifiable extra work involved for all concerned.

For instance, the administrative benefit of pooling acquisitions since 1965 would be lost, since it would be necessary to record (retrospectively) each different block of the same securities bought at different times. But we need to get rid of "first in and first out" and I would rather advocate that the rules about quoted securities held on April 6, 1965, be simplified, perhaps by adding X per cent. to Budget Day value and ignoring historic cost.

The idea of a small gains exemption, especially if it could be extended to cover small trusts also, and perhaps coupled with a reduced rate for modest gains, is a much better means of giving relief.

Gordon Lindsay.
Gladstone House,
13, Union Court, Liverpool.

To-day's Events

Figures of U.K. official reserves for November issued by Treasury.

Mr. Menahem Begin, Israeli Prime Minister, arrives for official visit to Britain.

Two-day meetings end in Brussels between EEC and Japan on reducing Japanese foreign trade surplus with Europe.

One-day conference on Trade Unions, the Economy and Society, RTZ Theatre, Badmaes Street, S.W.1. Speakers include Lord Shawcross (chairman, Panel on Take-overs and Mergers), Lord Robbins (London School of Economics), Mr. Ralph Harris (director, Institute of Economic Affairs), Lord Scarman (a Lord Justice of Appeal), Mr. Reginald Prentice MP and Mr. Joseph Grimond MP.

Mr. Edmund Dell, Trade Secretary, opens one-day conference on Transporting Materials and Components to the Middle East, Cavendish Conference Centre, 20, Duchess Mews, W.1.

National Union of Students' conference opens, Blackpool.

Mrs. Shirley Williams, Education Secretary, inaugurates automated information service at British Library, Store Street, W.C.1.

Mr. Michael Heseltine, Shadow Cabinet spokesman on environment, addresses City of Chester Conservative Association businessmen's lunch.

London Chamber of Commerce trade mission to Israel de-briefing meeting, 69, Cannon Street, E.C.4, 11.30 a.m.

Final day of Engineering Design Show, Olympia.

Final day of Jewellery and Silver Exhibition, Goldsmiths' Hall, Foster Lane, E.C.2.

PARLIAMENTARY BUSINESS

House of Commons: Private members' motions.

OFFICIAL STATISTICS

Capital issues and redemptions during November.

COMPANY RESULT

Illingworth Morris and Company (half-year).

COMPANY MEETINGS

British Car Auction, Farnham, Surrey, 12. Credit Data, Manchester, 4. Estates Property Investment, Gresham Club, E.C., 12.15. Herman Smith, Birmingham, 12. Jacks (William), Egham, Surrey, 11.30. Lake and Elliott, Waldorf Hotel, W.C., 12. Lawrence (Walter), Savoy Hotel, W.C., 12.

OPERA

Royal Opera production of Lohengrin, Covent Garden, W.C.2, 6 p.m.

English National Opera perform The Magic Flute, Coliseum Theatre, W.C.2, 7.30 p.m.

MUSIC

Brass Ensemble, Guildhall School of Music and Drama, Barbican, E.C.2, 1.10 p.m.

COMPANY NEWS + COMMENT

Third quarter downturn slows BP

A DOWNTURN in attributable profit from £51.9m. to £44.1m. is reported by The British Petroleum Company for the third quarter ended September 30, 1977. Compared with the second quarter, attributable results show a sharp drop from the £75.7m. recorded in that period.

The weakness of the U.S. dollar and the low level of world economic activity adversely affected results, directors say.

Cumulative results for the nine months are however 69.7 per cent. higher at £210.3m., after overseas and U.K. tax and minorities but before extraordinary items. At halfway attributable profit was more than doubled from £72m. to £166.2m.

The third quarter attributable profit is after including a £0.5m. minority credit (£4.6m. debit) and earnings per £1 share for the nine months are stated at 54.3p against 31.9p.

Sales in the third quarter improved from £3.25bn. to £3.67bn., and for the nine months are running at £10.85bn. compared with £9.63bn.

Pre-tax income for the third quarter improved from £480.2m. to £505.8m., but compared with the second quarter the three month figures show a decline from £514.6m. The result is subject to overseas tax of £333.3m. (£374.2m.) and U.K. tax ahead from £49.5m. to £126.9m.

For all 1976 sales totalled £12.88bn., profit before tax was £1.78bn. and attributable profit came out at £179.8m. after overseas tax of £1.4bn., U.K. tax of £126.7m. and minorities of £8.1m.

Directors say that in Europe trade continued to be overshadowed by the surplus of shipping and distillation capacity. Rotterdam market prices were further depressed by surplus crude oil, while in France, Government controls prevented adequate recovery of costs.

Chemical sales volume showed no improvement over the first two quarters and by comparison with the 1976 third quarter growth was nil.

This reflects the economic situation of the U.K. and most of Western Europe. The under-utilisation of chemical production capacity in Europe put great pressure on prices so there was little opportunity to fully recover the continued increase in manufacturing costs. Profit for the first nine months has thus shown a decline on 1976, they say.

Production from the Forties field increased to an average of 420,000 barrels per day in the quarter but profitability was affected by a reduction in demand for low sulphur grades (including Nigerian) and by the weakness of the dollar.

The Alaskan pipeline came into operation in the period and interest is now charged against income, while during construction it was capitalised. The third quarter interest bill rose from £48.6m. to £53.7m.

The filling of the pipeline, the initial low tariff and the restricted throughput mean that benefits from Alaskan operations will not begin to be reflected until the final quarter.

Sales of crude oil for the quarter dipped from 19.6m. tonnes in 1976 to 18.9m. tonnes, and for the nine months sales are 2.5m. tonnes down at 54.8m. tonnes.

Chemical sales rose 1m. tonnes on 1976 to 23.9m. tonnes and 1977 figures are ahead from 69.4m. tonnes to 73.2m. tonnes. Natural gas sales grew from 6.7m. cubic metres per day to 7.3m. cubic metres, and the nine month figures are 9.8m. cubic metres against 9.1m. cubic metres.

As previously disclosed future accounts of BP may reflect an extraordinary charge of not more than £37m. in respect of an overseas Capital Gains Tax liability. Following the change in the accounting treatment of deferred tax directors expect to transfer at least £80m. from this provision to reserves.

Directors say that at present it is estimated that the U.K. tax charge for the nine months would have been reduced by £7m. under the new accounting treatment, but the full-year amount cannot yet be estimated.

	Nine months 1977 £m.	1976 £m.
Sales proceeds	10,838.5	9,624.2
Customs duties, sales taxes	2,918.7	1,399.2
Net proceeds	8,833.8	7,427.0
Other income	178.9	138.3
Total income	9,004.6	7,566.3
Cost of oil, ocean freight refining, chem. mat.	6,272.4	5,367.8
Distrib., selling, admin. and other expenses	733.8	637.6
Depreciation, amounts provided	226.7	184.9
Interest	122.5	124.1
Profit before tax	1,634.6	1,252.2
Overseas tax	990.1	1,041.2
Leaving	656.4	211.0
U.K. tax	424.1	81.6
Net profit	212.3	130.0
Minorities	2.2	4.1
Attributable	210.3	123.9

See Lex

HIGHLIGHTS

The main feature of the day's results is the disappointing figures from British Petroleum's third quarter, with losses in the European oil marketing operation. Bass Charrington's pre-tax advance of nearly a third looks impressive, but after adjusting for stock provisions and exchange losses on overseas borrowings the increase drops to an eighth—still a creditable performance. Elsewhere National and Commercial Banking has put forward surprisingly good second-half figures with little overall effect from falling interest rates. And at Racal the forecast is for major profits growth this year. A fall in steel profits has taken a bite out of the 600 Group's performance. Mitchell Cotts has benefited from U.K. acquisitions and a good performance in Africa, United Wire has maintained its recovery while UKO's results are unexciting.

Advance by Trans-Oceanic

FOR THE year to October 31, 1977, Trans-Oceanic Trust reports gross revenue ahead from £1.07m. to £1.24m. Expenses and interest took £344,573 against £338,097 leaving pre-tax revenue up from £734,367 to £900,192.

After tax of £314,234 compared with £236,076 the attributable balance emerges £107,487 in front at £585,958.

Earnings per 25p share are given at 3.32p (4.35p) and a final dividend payment of 3.3p net raises the total from 4.2p to 5p.

Net asset value per share at October 31 (after allowing for the proposed final dividend on the Ordinary shares and including the full investment currency premium) was 232.6p (169.2p) and assuming full conversion of the convertible Loan stock 224.2p (168.1p).

Whitbread Investment progress

THE SIX MONTHS to September 30, 1977, resulted in profits of Whitbread Investment Company rising from £1.21m. to £1.36m., subject to tax of £501,731 against £450,197.

The interim dividend per 25p share is lifted from 1.2914p to 1.4773p net at a cost of £621,394 (£543,126). This payment includes an additional 0.0351p in respect of 1976/77. Last year from profits of £2.44m. a total 3.575p was paid.

Crosby Spring little changed: pays interim

On turnover for the six months to September 30, 1977, of £3.64m. against £3.18m. taxable profits of Crosby Spring Interiors showed little change at £214,316 compared with £212,398.

For the first time the directors have declared an interim dividend, with a payment of 0.2178p net and they say that it is their intention to continue with this policy if the company's position warrants. Last year's single payment was 0.3943p from record profits of £589,482.

QUALITAIR

Qualitair—manufacturers of air conditioning equipment—is now in full production, and to support its growing business is moving from existing premises at Maidstone to new custom built accommodation at Sittingbourne, Kent.

The combined office and warehouse site covers an area of 90,000 square feet with good access to the main A2 London/Dover road and the M2 motorway.

Blantyre Tea sees record

Directors of Blantyre Tea Holdings expect to report a substantial increase in profit for the latest year to September 30 after another record crop has helped to contain the effects of inflation on production costs. A record net profit of £380,140 was achieved in 1975-76.

The total crop for the latest year was 3,603,258 kg. and has been sold at a net sale average of 83.3p per kg.

Last year an overall average of 31.62p was achieved for the 3.2m. kg crop, and although recent sales have seen prices at reduced levels the annual average is expected to be only marginally lower than the 85.3p achieved so far.

Good recovery by Brasway

Brasway, ferrous scrap processors and tube makers, of Wednesbury, West Midlands, "is now safely out of its cash flow problems and well on the way to complete recovery." Mr. R. A. Swaby, chairman, told the AGM in Birmingham.

Healthy profits were being made and the financial position should be much improved as the year continues. In the half year to end October profit before tax was about £91,000.

LEEDS FLOATER

Application lists for the City of Leeds £12m. Variable Rate Stock 1982, closed within a minute of opening yesterday. The issue was fully subscribed and all applications from the public allotted in full.

UKO edges higher at halfway

OPTHALMIC LENSES, etc., catering equipment and general engineering group, UKO International increased pre-tax profit from £1.8m. to £1.9m. in the six months to September 30, 1977.

Turnover rose from £16.19m. to £19.04m., and the result is subject to tax of £912,000 against £901,000.

Directors say that in the opthalmic group demand at home and abroad remained well below normal levels. The sales increase was largely attributable to acquisitions and the profit increase partly so.

Capital expenditure undertaken in recent years is yielding increased profit they say, but this has been hampered by output and labour problems in certain areas. Steps are being taken to eliminate these problems.

Adverse exchange rates on conversion of overseas profits also reduced the contribution to profits from overseas branches, but the ophthalmic group is well placed in all markets to take immediate advantage of an upturn in demand, the Board state.

Sales of the catering equipment group's products were satisfactory during the half year, and prospects for exports are brighter than for some time.

The volume and value of export inquiries on hand at the end of the half year were substantially higher than in the recent past. Profits were satisfactory and would have been higher but for the effects of a labour dispute during the period they say.

The UKO group accounts for the year ending March 31, 1978, will include an extraordinary charge of approximately £247,000 net in respect of termination payments under the Bausch and Lomb research and development agreement.

The interim dividend is lifted from 2.67p to 2.93p net per 25p share. A 5.33p final was paid last year on record taxable profits of £4.17m.

	Half-year 1977 £000	1976 £000	Year 1976-77 £000
Group sales	18,926	16,188	33,737
Ophthalmic	14,498	12,413	25,934
Catering equipment	4,498	3,771	7,783
Profit before tax	1,901	1,882	4,165
Ophthalmic	1,446	1,493	3,332
Catering	446	389	833
Taxation	912	901	1,690
Net profit	989	981	2,475
Minorities	4	—	1
Extraord. debit	—	—	72
Available Ord.	985	981	2,396
Dividends	445	407	1,072
Leaving	540	574	1,324

● comment

UKO's profits increased by under 6 per cent. in the first half with the first time contribution from recent acquisitions largely offset by the effects of labour disputes in a lens production unit and catering equipment factory. Volume sales were lower in the important ophthalmic division in line with the national downturn in demand for spectacle frames—the economic recession has meant a drop in both the number of sight testings and the number of prescriptions taken up. Even in the catering equipment division (30 per cent. of profits) there is still no sign of a recovery in demand at home—the 11 per cent. profit rise came mainly from new products. However, there are encouraging prospects for orders in the Middle East and Nigeria, which are experiencing building booms. In the meantime stocks are building up because of the slack demand and the group is badly in need of a big jump in volume sales. But for the short-term there should be benefits from acquisitions and the continuing investment programme and £4.4m. (£4.17m.) pre-tax should be possible for the year. At 176p the shares yield 7.7 per cent. on a maximum dividend.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bass Charrington	3.21	—	2.85	4.84	4.34
Buckley's Brewery ...int.	0.33	Jan 6	0.3	—	1.63
Crosby Spring ...int.	0.22	Jan. 13	Nil	—	0.59
Diamond Stylus ...int.	0.33	Jan. 20	0.38	—	0.88
Elsburg Gold	**4.55	Feb. 3	4.55	8.45	9.75
M. J. Gleeson	1.16	Jan. 26	1.03	1.84	1.65
Killinghall Tin	*75		25	125	50
Mitchell Cotts Group	2.75	Jan. 30	2.67	3.4	3.33
Nat. and Com. Banking ...	1.38	Jan. 16	1.21	2.63	2.36
Racal Electronics ...int.	†1.7	Feb. 3	*0.31	—	*0.89
Randfontein Ests.	**200	Feb. 3	100	350	200
Routledge and Kegan int.	‡1.25	Mar. 17	1	—	3.67
Scottrust ...int.	**12	Feb. 18	10	—	28
600 Group ...int.	‡1.83	Jan. 20	1.65	—	3.65
Trans-Oceanic Trust	3.3	Feb. 10	2.7	5	4.2
UKO International ...int.	2.93	Feb. 10	2.67	—	8
United Wire	2.89	—	2.8	4.69	4.2
Western Areas	**7	Feb. 3	7	13	15
Whitbread Inv. Co. ...int.	1.48	Jan. 20	1.29	—	3.58

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Additional 0.0345p for 1976-77. § To reduce disparity. ¶ Gross throughout. ‖ Additional 0.0351p for 1976-77. ** Gross cents throughout.

Mitchell Cotts Group rises 22% to £11.67m.

PRE-TAX PROFITS of Mitchell Cotts Group for the year ended June 30, 1977, rose by 22 per cent. from £9.54m. to a record £11.67m. after £4.64m. against £2.78m. at halfway.

The net profit attributable came out lower at £2.91m. compared with £3.23m., due principally to a non-recurring item of disputed tax amounting to £546,000, in South Africa, and the cost of closing down the remaining elements of the group's steel operations in Canada. The directors state that while they believe there may be a reduction in pre-tax profits for the 1977-78 year, they see no reason why the attributable amount should not show an increase.

Stated earnings per 25p share are up from 7.22p to 8.03p and the dividend is lifted to 3.4p (3.3255p) with a final of 2.74375p net.

An analysis of operating profit shows: engineering division 61 per cent. (64 per cent.); freight, transport and storage 23 per cent. (25 per cent.); commodity trading 5 per cent. (3 per cent.); vehicle distribution 6 per cent. (same); and agriculture 5 per cent. (2 per cent.). An analysis by territories shows: U.K. 16 per cent. (14 per cent.); Southern Africa 68 per cent. (81 per cent.); East and Central Africa 20 per cent. (16 per cent.); and Europe, the America's and Australasia minus 4 per cent. (minus 11 per cent.).

	1976-77 £000	1975-76 £000
Operating profit	13.366	12.536
Interest	3.897	3.286
Assoc. companies	200	294
Pre-tax profit	11,669	9,544
Taxation	6.460	4.858
Net profit	5.209	4.698
Minorities	1.318	1.222
Extraord. debits	434	235
Disputed o'seas tax	546	—
Attributable	2,911	3.231
Pref. divs.	37	37
Ord. divs.	1.667	1.593
Retained	1,207	1,601

● comment

Good performances in east and central Africa plus first time contributions from recent acquisitions in the U.K. were responsible for much of Mitchell Cotts' 28 per cent. advance in operating profits (after interest). In the U.K. a first time contribution from acquisitions WDS. and Cab-Craft accounted for over nine-tenths of the improvement in operating profits, which rose from £1.3m. to £1.84m. Elsewhere there has been a measure of loss elimination, mainly accounted for by the full closure of the steel operations in Canada, which reduced losses by £400.000. But attributable profits have been dented by the cost of closure of £434.000, as well as a £546.000 provision over disputed tax in South Africa. Although the group's interest charges are up by nearly a fifth to £3.9m on an increase in the overdraft from £17.3m to £20m. the group still has £5 98m. of outstanding claims (representing over a quarter of the group's market capitalation) on nationalised overseas assets. At 44½p the shares sell on a p/e of 5.2 and yield 12.3 per cent. over twice covered, a rating which is overcautious

ASSOCIATE DEALS

Rowe and Pitman, Hurst Brown has bought for St. Regis International 1,410.000 Reed and Smith Holdings Ordinary at 63p and £316.342 10 per cent. convertible unsecured Loan stock, 1990, at par.

Cazenove and Co. states that S. G. Warburg and Co. announced on November 29 the following purchases of British Investment Trust Ordinary by Black Diamonds Pensions: 25,000 non assented at 158½p, 1,978,350 assented at 164½p and 409,121 assented at 165p. On November 29 and 30 Cazenove also announced purchases of BIT on behalf of Black Diamonds Pensions and the NCB Pensions Fund as follows—for the account of Black Diamonds Pensions: 300,000 assented at 164½p, 160,000 assented at 165p and 1,650 assented at 165p. For the account of NCB Pensions Fund 25,000 non assented at 158½p. It should be made clear, Cazenove state, that the purchases announced by Cazenove were included in the figures announced by Warburg.

Casenove and Co. yesterday for the account of Black Diamonds Pensions, which is wholly-owned by National Coal Board Pensions Fund, bought 445,950 British Investment Trust assented at 165p.

Barclays sells ANZ stake

Barclays Bank International has raised nearly $A20m. (about £12.4m.) from the sale of its holding of 5.9m. shares in Australia and New Zealand Banking Group.

The funds are expected to be used for the expansion of the group's other interests in Australia, particularly the newly-acquired stake in the consumer finance company, FNCB-Waltons.

It was announced last month that Barclays had agreed to buy the 50 per cent. stake in FNCB-Waltons previously held by Citibank. The finance company was to be renamed as Barclays Credit Corporation, with Waltons, the Australian retail group, keeping its 50 per cent. interest.

Barclays announced yesterday that its holding in ANZ Group had been placed with institutions in Australia by Cazenove and Company and Potter Partners.

The Barclays interest in ANZ represented about 8½ per cent. of the total share capital. It had been held for a number of years as a trade investment, but it has been decided that the funds involved could be deployed elsewhere.

600 Group ahead after 28 weeks

MACHINE TOOL manufacturers, engineers and steel distributors, etc., 600 Group reports an increase in taxable profits for the 28 weeks to October 15, 1977, from £4.81m. to £5.44m. on turnover down from £95m. to £93m., and Sir Jack Wellings, the chairman, attributes this to the excellent results from the machine tool and engineering divisions and the overseas companies.

The interim dividend is lifted to 1.85p (1.65p) net per 25p share with an additional 0.0345p declared for 1976-77 on the reduction in ACT. Last year's final was 2p.

The iron and steel division continued to be affected by the severe world-wide depression in the steel industry and showed a further downturn, the chairman adds.

Exports from the U.K. again increased, by 25 per cent. in value over the same period last year, and there is a strong overseas demand for the group's manufactured products which are still very competitive, Sir Jack says.

He knows of no reason to alter his July forecast which was that the group expects at least to maintain its overall level of results for the full year. Pre-tax profit for the 1976-77 year was a record £10.63m.

	28 weeks 1977 £000	1976 £000
Turnover	93,000	95,000
Operating profit	7,545	7,041
Depreciation	1,311	1,179
Interest	792	1,050
Pre-tax profit	5,442	4,812
Tax	2,799	2,329
Net profit	2,643	2,283
Minorities	10	264
Dividends	894	799
Retained	1,739	1,230

● comment

Operating profits of The 600 Group have risen by only 7 per cent. (turnover has slipped back slightly) as a sizeable drop in steel profits has taken a large bite out of the growth achieved elsewhere. The size of the steel shortfall is indicated by a 96 per cent. reduction in minorities and, as the world steel crisis continues unabated, there is no sign of any immediate improvement. Meanwhile the machine tool and engineering divisions (60 per cent. of sales overseas) are continuing to underpin profits despite the current depressed climate worldwide for capital investment. Exports are up by 25 per cent. with the Middle East and the U.S. particularly strong markets. The strengthening of sterling this year does not appear to have affected the group to date, which reports that manufacturing margins have been maintained and volume sales increased. After a 25 per cent. drop in interest charges pre-tax profits show an increase of 13 per cent.; however, given the current climate, it may be difficult for full year profits to achieve much more than last year's £10.6m. The shares are on a prospective yield of 9.6 per cent. at 66p.

£82,000 turnround for Sumrie

On turnover ahead from £1.68m. to £1.94m. Sumrie Clothes has turned in a £53,000 pre-tax profit compared with a £29,000 loss in the 26 weeks to October 1, 1977.

Directors say the forward order situation is encouraging and there is an indication from the U.K. retail trade of slight improvement in the sales of quality merchandise.

But in the circumstances they have considered it prudent not to declare an interim dividend. When the final results are known a final dividend will be considered. Last year a 1.25p net per 20p share payment was made on taxable profit of £78,178.

They say the company has completed the first stage of its major capital spending programme on modernisation of production, and the second stage will begin in 1978. The innovations from the spending are beginning to combat direct cost increases although other costs are again rising, they say.

The half year result is subject to tax of £29,000 (nil) and is after interest of £17,000 (£38,000).

Record £1.89m. at Utd. Wire

AFTER ALMOST trebling profit from £0.32m. to £0.94m. at halftime, United Wire Group reports a record pre-tax result of £1.89m. against £1.11m. for the October 1, 1977, year.

Directors say the increase in profits came almost entirely from the U.K., with overseas operations contributing only slightly more than last year.

But they regard the increase as exceptional and say that because of current business uncertainties they view the year ahead with some caution.

Turnover pushed ahead from £10.29m. to £12.37m. and the result is subject to tax of £920.000 (£583.000) and extraordinary debits of £73,000 (£58,000). Available profit is £893.000 compared with £464,000 last time and earnings per 25p share are shown at 11.9p (6.4p).

The final dividend is up from 2.8p to 2.89p net and takes the total for the year to 4.69p against 4.2p.

● comment

United Wire Group maintained its recovery last year lifting its pre-tax profits by 70 per cent. to a best ever £1.9m. while turnover increased by 20 per cent. Profits were increased across all three divisions but the largest contributor remains the paper division (despite group attempts to change the emphasis away from the volatile paper trade by concentrating investments in the wire and industrial products divisions). Faster growth last year however, was achieved by the wire division which more than trebled its contribution, continuing the recovery begun in the second half of 1975-76. Meanwhile the balance sheet should be strengthened with net borrowings likely to have been reduced to below 50 per cent. of shareholders funds compared with 66 per cent. in the last accounts. The shares at 67p yield 11.1 per cent. covered more than 2½ times, while the p/e is 5.4.

DE LA RUE

Application lists for the City of the 1,730,437 shares offered by way of rights to Ordinary shareholders of De La Rue Company have been taken up. The balance has been sold for the benefit of the entitled shareholders.

National & Commercial up 11% to peak £64.1m.

National and Commercial Bank-
ıg Group yesterday reported an
l per cent. increase in pre-tax
rofits for the year ended Septem-
er 30 to £64.1m. against £57.7m.
ter £31.12m. (£28.28m.) at half-
me.

Commenting on the results, the
roup chairman, Sir James Blair-
unynghame, explained that in
le second half of the year the
roup had benefited from better
turns from its money book and
lt-edged investments as well as
ı improvement in its margins.

Growth of the group's resources
nd lending had been sluggish, he
uid, with both rising on average
y about 6 per cent. during the
ear but with Royal Bank of
cotland showing a rather higher
xpansion than Williams and
lyn's.

In the second half, average base
ite had been much lower, at 8.4
er cent. against 13 per cent. in
ie first half. But the average
argin between base rate and
eposit rate had widened from
26 per cent. to about 4.35 per
nt.

The bank had also made useful
rofits on its wholesale money
ook as interest rates fell,
hereas in the first half rising
terest rates had cut the return.

Sir James also said that the
roup was not planning any new
ajor exercise to reduce its
ranch network. In the past
ght years, since the merger,
le Royal Bank had merged 124
ranches and opened 20 new
nes to bring the total down to
bout 600.

Stated earnings per 25p share
e ahead from 12.4p to 13.4p and
le dividend is stepped up to
6529p (2.3573p) net, the maxi-
um allowed, with a final of
3829p net.

Total costs rose by about 12
er cent. (17 per cent.) reflecting
ot only a lower inflation rate
average during the year but
so the determined efforts by
bsidiaries Royal Bank of Scot-
nd and Williams and Glyn's
ank to contain costs in every
y and their adherence to the
licy of income restraint, the
rectors add.

The share of pre-tax profit of
sociated companies for the year
creased by 33 per cent. to
14m. Lloyds and Scottish, York-
re Bank, and Finance for
dustry all contributed higher
ofits and the sale of the invest-
nt in Associated Securities, in
ıstralia, has meant that the
oup's share of the losses, which
re being incurred by that com-
ny, has now been eliminated.

There were extraordinary debits
the period of £2.78m. (£6.07m.)
ich comprised £1.83m. (£4.98m.)
t deficit on premises, trade
estments and associated com-
nies; expenses of subordinated
n issue £627,000 (£450,000),
ndry items £8,000 (£18,000
edit), and share of associated
companies' losses £312,000
(£661,000).

	1976-77	1975-76
	£000	£000
Operating profit	55.952	51.616
Share of assoc. cos.	8.143	6.104
Profit before tax	64.095	57.720
Tax	33.893	29.836
Net profit	30.162	27.884
Preference divs.	54	54
Extra-ord. debits	2.779	6.089
Leaving	27.329	21.761
Ordinary divs.	5.918	5.298
Retained	21.411	16.463

Pre-tax profit of Royal Bank of Scotland rose from £36.4m. to £40.7m. and after extraordinary debits of £879,000 compared with £4.24m. the available profit came out at £18.4m. against £12.9m.

	1976-77	1975-76
	£000	£000
Operating profit	34.050	31.479
Share of assoc. cos.	6.649	4.923
Pre-tax profit	40.699	36.472
Tax	21.424	19.245
Net profit	19.275	17.136
Extra-ordinary debits	879	4.243
Available	18.396	12.973
Ordinary divs.	3.788	3.430
Retained	14.608	9.463

Pre-tax profit of Williams and Glyn's Bank finished ahead at £23.39m. compared with £21.36m. last time. There were extraordinary debits of £1.9m. against £1.83m. leaving available profit of £9.04m. (£8.94m.).

	1976-77	1975-76
	£000	£000
Operating profit	21.899	20.183
Share of assoc. cos.	1.494	1.181
Pre-tax profit	23.392	21.364
Tax	12.451	10.594
Net profit	10.941	10.770
Extra-ord. debits	1.900	1.826
Leaving	9.041	8.944
Ordinary divs.	2.383	2.092
Retained	6.678	6.852

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meeting to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Alpine Soft Drinks, Bishop's Stores, Highams, Illingworth Morris, Robert Moss, Oil and Associated Investment Trust, B. Paradise, Sangers, Scapa Group, Somic, Turnbull Scott Shipping.

Finals—Brazil Fund S.A., Sir Joseph Causton, Spooner Industries, Tomkinsons, Unochrome International.

FUTURE DATES

Interims—	
Anderson's Rubber	Dec. 6
Armitage Shanks	Dec. 7
Attwood Garages	Dec. 7
British Tar Products	Dec. 8
Cattle's Holdings	Dec. 9
Crown House	Dec. 13
Dom Holdings	Dec. 8
Leadenhall	Dec. 7
Moss Bros.	Dec. 8
Phoenix Timber	Dec. 14
Russel Bros. (Paddington)	Dec. 7
Sutcliffe Speakman	Dec. 14
Finals—	
Burton Group	Dec. 7
Stenhouse	Dec. 13

INVESTMENT TRUST BORROWINGS

Scottish Western Investment Company has borrowed US$3m., Caledonian Trust Company $2m., Clydesdale Investment Company $3m., and Second Great Northern Investment Trust $1m. The borrowings are for two years from November 19 and proceeds are being utilised in further investment in the U.S.

Barclays Merchant Bank

PRE-TAX profits of Barclays Merchant Bank, rose from £7.3m. to £9.7m. for the year to September 30, 1977.

Mr. Deryk Vander Weyer, the chairman says that demand from industry for finance has been low and competition for available business is intense. In spite of the effect of cash flow from repayments the bank achieved a modest increase in the amount of medium term lending, which now approaches £400m.

Acceptance credit facilities have proved an attractive form of short term finance in recent months, and a very satisfactory increase of some £20m. in this sector, has been recorded, he adds.

Corporate finance activity increased considerably during the year with some notable bids and bid defences successfully handled by the company.

The ultimate holding company is Barclays Bank.

Buckley's Brewery

Taxable profit of Buckley's Brewery increased from £396,669 to £432,365 in the half year ended October 1, 1977.

Turnover for the period rose from £3,091,775 to £3,491,018, and after tax of £173,000 (£195,000) net profit comes out at £259,565 against £201,669 last year.

The interim dividend is lifted from 0.5p net per 25p share to 0.55p. Last year a final of 1.125p was paid and profits totalled £773,000.

Gresham House

Pre-tax revenue of Gresham House Estate Company fell from £133,000 to £98,000 for the first half of 1977 subject to tax of £39,000 compared with £64,000. The figures were inadvertently transposed in yesterday's issue.

CH INDUSTRIALS

The metal trim subsidiary of CH Industrials, Betta Manufacturing, has opened a new extension to its factory at Eaton Bray, near Dunstable. Directors say the factory will enable Betta to improve efficiency in home and overseas markets.

Racal jumps to £19.4m. midway

REPORTING A 68 per cent. jump in pre-tax profits from £11.52m. to £19.4m. for the half year to September 30, 1977, the directors of Racal Electronics say they anticipate that the full year figure will be in excess of £45m. compared with the record £32.71m. for the previous year.

First half turnover advanced from £51.92m. to £89.89m. and after tax of £8.55m. against £4.92m., stated earnings were higher at 9.54p (equivalent 6.69p) per 25p share. The interim dividend is hoisted to 1.7p net on capital increased by the one-for-eight rights issue in March (0.3125p, adjusted for one-for-one scrip issue)—following the rights issue, the Treasury have approved a total for the current year of 3.88p (equivalent 0.8895p).

The directors point out that the increase in the group's non-military activities has resulted in a more even spread of profits throughout the year than was previously the case.

Commenting on the contribution to profits made by recently acquired Milgo Electronic the directors say that Mr. E. Harrison, chairman, had forecast at the time of the acquisition that Milgo would make £7½m. pre-tax for the current year, however "he is now saying that the figure will exceed £10m."

They add that some interesting contracts could be announced in the next few weeks and these were included in the £10m. projection.

The directors report that Milgo's profit margins are still not up to Racal averages but improvements have been made both in margins and sales at the Miami company.

Five Racal companies put up the best performance in the first half of the current year, namely Tacicom, Racal Dana, The Investments Company, The Industrial Helmets Operations, The Speech Security Business, and Milgo. All other companies achieved average growth, the directors add.

Looking ahead, the directors feel the subsidiary with the greatest potential is Racal Communications, which makes static receivers and transmitters.

They forecast that growth in surveillance H.F. equipment over the next two years is going to be extraordinary.

See Lex

Gleeson second half downturn

AFTER being ahead from £475,000 to £686,000 at half-way pre-tax profits of M. J. Gleeson (Contractors) finished the year to June 30, 1977, unchanged at £1.43m. Profit includes £1,018,000 (£387,000) bank interest reflecting strong liquidity, high interest rates and growing pressure on trading margins.

Turnover for the year was £54m. (£52m.) and deferred tax took £764,000 (£770,000).

Earnings per 10p share are stated at 6.66p (6.54p) and the final dividend is 1.1573p net for a 1.84015p (1.64752p) total.

Comparative figures have been restated to include an addition to pre-tax profit of £22,000—£10,000 after tax—arising from a change in basis of accounting for work in progress.

If adjusted for inflation volume of turnover shows a fall of 14.5 per cent.

The directors state that although the present position of the order book is satisfactory and turnover for the year ending June 30, 1978, may be maintained at the 1976-77 level, the acute work shortage in the construction industry at home will make it increasingly difficult to keep the order book filled, and pressure on trading margins will continue until the industry's present over-competitive price structure is relieved by the urgently awaited release of public expenditure programmes held back by last year's Government spending curbs.

In the meantime, the group is making progress overseas, with the first successfully completed cold-store contract in Egypt being followed by a second.

MONEY MARKET

Full credit supply

Bank of England Minimum Lending Rate 7 per cent.
(since November 25, 1977)

Day-to-day credit was in good supply in the London money market yesterday, but was very slow to appear once again. The authorities absorbed surplus funds by selling a moderate amount of Treasury bills to the discount houses, but banks are still expected to carry forward surplus balances.

Banks carried over surplus balances from Wednesday, and Government disbursements exceeded revenue payments to the Exchequer. On the other hand there was a fairly large net take-up of Treasury bills, and houses were also faced with repayment of overnight and seven-day loans.

Discount houses paid 5-5½ per cent. for secured call loans in the early part, and closing balances were taken at 4-5 per cent.

In the interbank market overnight loans opened at 5¼-5½ per cent., and eased to 4½-4¾ per cent., before closing at 5¾-6 per cent.

Short-term fixed period interest rates were steadier in fairly calm trading. Discount houses buying rates for three-month Treasury bills were unchanged at 6⅜-6¼ per cent., pointing towards a continuation of the present Bank of England Minimum Lending Rate of 7 per cent.

Rates in the table below are nominal in some cases.

Dec. 1 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposit	Treasury Bills ϕ	Eligible Bank Bills ϕ	Fine Trade Bills ϕ
Overnight	—	4½-6	—	—	—	5⅛	4-5⅛	—	—	—
2 days notice	—	—	5¾-6	—	—	—	—	—	—	—
7 days or 7 days notice	—	5⅝-6	5¾-6	—	6-6¼	6	5-5¾	—	—	—
One month	6⅛-6	6-6	6¼-6⅝	7⅛-6¾	6⅝-6¾	6¾	6-6¼	6	6-6⅝	7¼
Two months	6-6⅝	6⅝-6⅞	—	7⅛-6¾	6¾-7¼	—	6¼-6⅝	6⅝-6	6	7⅜
Three months	6-6	6-7⅛	7-7⅛	7¼-6¾	7⅛-7⅜	7⅛	6½	6-6½	6¾	7½-
Six months	7-7	7⅛-7¾	7½-8	7¾-7¼	7⅝-8⅛	—	—	—	7¼-7⅜	8
Nine months	7-7	7¾-8	—	8⅝-7⅞	8¼	—	—	—	—	—
One year	8-7	7⅞-8⅛	8⅛-8¼	8⅜-8⅛	8⅜	—	—	—	—	—
Two years	—	—	9¼-9⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. *Longer-term local authority mortgage rates nominally three years 10½ per cent.; four years 11¼ per cent.; five years 11⅝-11¾ per cent. ϕBank bill rates in table are buying rates for prime paper. Buying rate for four-month bills 7-7 1/16 per cent.; four-month trade bills 7¾-8 per cent.

Approximate selling rate for one-month Treasury bills 6 5/16 per cent.; two-month 6¼-6 5/16 per cent.; and three-month 6 13/32 per cent. Approximate selling rate for one-month bank bills 6 3/16-6¼ per cent.; two-month 6 7/16 per cent.; and three-month 6 11/16 per cent. One-month trade bills 7¼ per cent.; two-month 7½ per cent.; and also three-month 7¾-7½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 5½ per cent. from December 1, 1977. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3-4 per cent. Clearing Bank Rates for lending 6-7½ per cent. Treasury Bills: Average tender rates of discount 6.4285 per cent.

Bass Charrington turns in record £90.4m.

ON SALES up from £801.7m. to £904.5m. for the year to September 30, 1977, pre-tax profits of brewers Bass Charrington advanced from £68.6m. to a record £90.4m., after £35.5m. against £28.2m. at half-way. In January the directors said they looked forward with confidence to 1976-1977 as another year of progress and development.

The figures include results of U.K. trading subsidiaries for the year to September 24. Pre-tax profit was struck after taking into account a reduced cost of borrowing from £17.6m. to £9.3m., which is mainly attributable to the absence of a provision for exchange differences this time (£7.4m.). There was a nil provision in respect of wine stocks; the £4.5m. made last year having proved to be sufficient.

Stated earnings per 25p share are up from 10.7p to 16.4p and the dividend is stepped up to 4.842506p (4.33558p), the maximum permitted, with a net final of 3.210973p. Funds employed at September 30 totalled £632.1m. (£606.9m.).

	1976-77 £000	1975-76 £000
Sales	904,500	801,700
Depreciation	20,600	18,000
Plant hire	5,500	4,400
Surplus on prop. sales, investments	3,600	3,700
Provision on wine stocks	—	4,500
Trading profit	99,700	86,200
Cost of borrowing	9,300	17,600
Pre-tax profit	90,400	68,600
U.K. tax†	43,800	35,200
Overseas tax	500	300
Net profit	46,100	30,100
Minorities	100	—
Preference divs.	300	300
Available	45,700	29,800
Ordinary divs.	13,400	12,000
Retained	32,300	17,800

† Including deferred tax £16.4m. (£7.6m.).

See Lex

Blyth Greene improves

ASSISTED BY a return to profitability from the industrial division, unquoted merchant bankers and investment holding company, *Blyth, Greene, Jourdain and Company*, improved taxable surplus from £253,000 to £617,000 for the first half of 1977.

Despite the reduction of overseas profits when converted into sterling at present exchange rates and the slow recovery in world trade, the directors say that the improvement will be maintained in the second half. For the whole of 1976, a surplus of £944,000 was recorded.

After a lower tax charge of £315,000 against £325,000, there was a turnround from a £72,000 losse to a net profit of £302,000. A third interim dividend per £1 share of 2p net is declared, payable on November 22.

	Six months 1977 £000	1976 £000
Operating profit	819	433
International*	488	430
Trading & Export Fnce.	242	224
Industrial	89	†221
Expenses, inc. interest	136	134
Loan Stock interest	66	66
Pre-tax profit	617	253
Tax	315	325
Net profit	302	†72

*Share of associates profit. †Loss.

continuing this trend for the second half.

Tax took £95,000 against £80,000 and stated earnings rose from 6.3p to 7.6p per 25p share. To reduce disparity the interim dividend is raised to 1.25p (1p) net, but the directors say that this is not to be taken as an indication for the full year—last year's total was 3.67p paid from record £311,246 profit.

totalled £705,000 (£572,000) for which £580,000 (£439,000) had been authorised but not contracted. At November 16, 1977, Whitbread Investment Co. held a 39.32 per cent. interest and Globe Investment Trust 6 per cent.

Repairs and renovation to the company's properties amounted to £736,028 (£467,584). The chairman says that the directors believe it is their main concern to maintain a high standard in the company's 215 public houses as they sell about 90 per cent. of products sold by the group.

During the year the last two wine and spirit retail shops run by Fergusons were sold.

Progress by Mack Organisation

Horticultural produce distributors, Mack Organisation reports net profits nearly doubled from £69,137 to £130,771 for the year to April 30, 1977, on record group sales of £31.58m., against £19.03m.

Mr. Matthew Mack, the chairman, states that the company's prospects are very encouraging, with results for the first six months of the current year showing a complete reversal of last year's loss.

Everything possible is being done by all companies to improve profitability throughout the group and to overcome the currently depressed state of the vegetable market and the erosion of margins, he adds.

Routledge & Kegan Paul increase

Pre-tax profits of book publishers, Routledge and Kegan Paul advanced 19 per cent. from £153,000 to £182,000 for the six months to September 30, 1977, on turnover up 21 per cent. to £1.52m. and the directors are hopeful of

Draught beer sales increase at Morland

Draught beer sales by Morland and Co. for October showed an increase and the directors intend to install additional plant for expanding production, distribution and warehousing facilities, Major General Sir Randle Feilden, the chairman, tells members.

Sales of own-produced beers have increased by some 93 per cent. since 1973 and during 1976/77 the company's cask conditioned draught beer rose a further 12 per cent. on the previous year's exceptional figures. Because of the poor summer weather lager sales declined and bottled beers continued their downward trend, he says.

On sales ahead from £6.34m. to £7.07m., taxable profit for the year to September 30, 1977, rose 16.9 per cent. to a record £621,022—as reported on November 17. The net dividend is stepped up to 12.45p (11.147p) per £1 share.

At year-end net liquid funds, represented by bank balances and cash, were down £15,306 (up £1,336). Capital commitments

Diamond Stylus expands

Taxable profit for the half year to September 30, 1977, of Diamond Stylus expanded from £23,339 to £58,419, on turnover little changed at £606,582, against £591,857.

After tax of £40,777 (£12,136) earnings are given ahead from 0.54p to 0.84p per 10p share and the interim dividend is 0.3811p (0.3754p) net, absorbing £7,978. For 1976-77, payments totalled 0.8819p from £126,139 profit.

First-half profit includes the share due from 50 per cent. owned associate, Elgin Diamond Products (Europe), also a temporary employment subsidy of £31,760 and reflects a net loss of £20,000 in an overseas subsidiary.

Development to boost Pochin's

A property development undertaken by *Pochin's in the May 31, 1977,* year and completed since will make a significant contribution to group results in the current year, Mr. C. W. T. Pochin, chairman, says in his statement with accounts.

He adds that as a result of the difficulty in obtaining sufficient work load with reasonable margins in the group's traditional contracting business greater efforts have been made to obtain development projects.

But in view of the difficulties in the contracting industries it remains as hazardous as ever to make any reliable profit forecast for the current year.

But liquidity remains good and while forward orders are not as strong as may be wished for, the group remains well placed to take advantage of any upturn in industry.

In the year just ended a record taxable profit of £462,164 (£407,177) was recorded with all but the Isle of Man company contributing better results.

In the year there was a £440,800 (£147,000) increase in working capital. Net current assets moved ahead from £0.91m. to £1.2m. and fixed assets increased from £1.3m. to £1.2m.

Meeting, Middlewich, Cheshire, on December 16 at noon.

NEB's financial targets

Mr. Eric Varley, Secretary of State for Industry, has advised the National Enterprise Board of his determination of their financial duties in respect of their investments in companies other than British Leyland and Rolls-Royce, in the following terms:—

"I am directed by the Secretary of State for Industry to say that, in pursuance of Section 6 of the Industry Act 1975 he has determined, with the approval of the Treasury, and after consultation with the National Enterprise Board, a financial duty in relation to certain assets and activities of the Board, as set out in paragraphs 5 and 7 of this letter. The duty relates to the Board's investments in companies other than British Leyland Limited and Rolls-Royce Limited (which will be the subject of separate determinations at a later date).

"The duty takes the form of a target rate of return on capital employed, as defined below. This definition excludes loans to companies in which the Board have no share interest; the Board are already required under their Guidelines, in lending to their subsidiaries or other companies, to charge a rate of interest not less than that paid by commercial companies of the highest standing when raising finance. Investments which the Board are required to make under Section 3 of the Industry Act 1975 are also excluded; as indicated in the Guidelines these activities will be accounted for separately.

"I am to say, by way of explanation, that this duty is aimed at securing a return related to the average rate of return expected to be secured on capital employed in manufacturing industry in 1981. Our judgment, on the best available information, is that this average rate of return could turn out to be about 20 per cent.

"The Secretary of State recognises, however, that the Board's purposes are wider than those of commercial enterprises and they are able in appropriate cases to take a long-term view of their investment opportunities. In these circumstances, and taking into account the inevitable uncertainties about the future, he considers it reasonable to look at the Board to secure a return within the range of 15-20 per cent. by 1981, and he trusts that the exercise by the Board of their best endeavours will lead to a result at least as good as this, and to the maintenance of steady progress towards that objective in the meantime.

"If it becomes apparent that the average rate of return for manufacturing industry in 1981 is likely to differ significantly from 20 per cent. it would be reasonable, in the opinion of the Secretary of State, to take that fact into account in judging the Board's performance.

"The Secretary of State has accordingly determined that the financial duty of the Board in relation to their investments in companies other than British Leyland Limited and Rolls-Royce Limited, should be to conduct their activities with the object of securing in 1981 a rate of return on capital employed, before interest and taxation, within the range of 15-20 per cent. In the years prior to 1981 the Board are to maintain steady progress towards this objective.

"This duty does not extend to loans made by the Board to companies in which the Board have no share investment nor any interest in rights to acquire shares, nor to sums paid by Her Majesty's Government in respect of investments made under the terms of Section 3 of the Industry Act 1975.

"For the purposes of this determination the rate of return will be taken as the consolidated profit (including investment income and share of profits or losses of associated companies) before interest, taxation and minority interests as a percentage of the capital employed; and capital employed will be taken to comprise the aggregate of public dividend capital, reserves, loans from Her Majesty's Government, other loans, deferred taxation, minority interests, overdrafts and short-term borrowings less bank balances and deposits. The calculations will be made on historical cost accounting principles."

Extel extends phone-in service

Exchange Telegraph's new phone-in service, with up-to-date details of all disclosed shareholdings, will be open to all comers from January 1, 1978.

The new service meets the need, which the Companies Act 1976 has created, for a quick reference data-base on disclosures. By a phone-call the subscriber gains immediate information on current shareholding over 5 per cent. and all directors' holdings. This applies to the voting shares of companies quoted on the British and Irish Stock Exchanges, which have reported since April.

AMAL. DENTAL CHANGES NAME

By means of a special resolution the name of Amalgamated Dental Co. has been changed to A.D. International.

World Value of the Dollar

The table below gives the latest available rates of exchange for the U.S. dollar against various currencies as on Wednesday, November 30, 1977. These exchange rates have been compiled by Bank of America NT & SA's worldwide network of branches from various sources. Exchange rates listed are middle rates between buying and selling rates as quoted between banks. Where a multiple exchange rate system is in operation (m), the rate quoted is the commercial rate unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except for U.K. sterling (and those currencies at par with sterling) which is quoted in dollars per sterling unit. These rates are asterisked.

All rates quoted are for indication purposes only and are not based on, and are not intended to be used as a basis for, particular transactions. By quoting the following exchange rates, Bank of America NT & SA does not undertake to trade in all listed foreign currencies and does not assume any responsibility for any errors in the table below.

Bank of America
Eurodollar Libor as of December 1 at 11.00 a.m.
3 months 7⅛ 6 months 7⅛

SDR1=$US1.18379

Country	Currency	Value of DLR	Country	Currency	Value of DLR	Country	Currency	DLR Value of
Afghanistan	Afghani (o)	43.0	Guam	U.S. $	1.00	Peru	Sol	116.70
Albania	Lek (m)	3.3606	Guatemala	Quetzal	1.00	Philippines	Pt. Peso	7.3983
Algeria	Dinar (a)	4.1413	Guinea Bissau	Peso	40.51	Pitcairn Is.	NZ $	0.9822
Andorra	Fr. Franc	4.837	Guinea Rep.	Sily	21.6444	Poland	Zloty (m) (o)	19.92
	Sp. Peseta	82.865	Guyana	Guyanese $	2.5337	Portugal	Port. Escudo	40.51
Angola	Kwanza	[illegible]				Port. Timor	Timor Escudo	n.a.
Antigua	E. Caribbean $	2.7025	Haiti	Gourde	5.00	Principe Isle	Port. Escudo	40.51
Argentina	Ar. Peso	545.50	Honduras Rep.	Lempira	2.00	Puerto Rico	U.S. $	1.00
Australia	Australian $	0.8874	Hong Kong	H.K. $	4.6625			
Austria	Schilling	16.1113	Hungary	Forint (m)	38.27	Qatar	Qatar Ryal	3.9366
Azores	Port. Escudo	40.51						
Bahamas	Ba. $	1.00	Iceland	I. Krona	212.00	Reunion	Ile de la French Franc	4.837
Bahrain	Dinar	[illegible]	India	Ind. Rupee	8.7649	Rhodesia	Rhd. $	0.6603
Balearic Is.	Sp. Peseta	82.865	Indonesia	Rupiah	415.00	Romania	Leu	4.97
Bangladesh	Taka	14.4449	Iran	Rial	70.650	Rwanda	Rwanda Franc	92.84
Barbados	Barbados $	2.005	Iraq	Iraq Dinar	0.2953			
Belgium	B. Franc (m)	35.1173	Irish Rep.	Irish £	1.8164	St. Christopher	E. Caribbean $	2.7025
Belize	B $	[illegible]	Israel	Israeli £	[illegible]	St. Helena	£ Sterling*	1.8164
Benin	C.F.A. Franc	242.83	Italy	Lira	877.80	St. Lucia	E. Caribbean $	2.7025
Bermuda	Bda. $	1.00	Ivory Coast	C.F.A. Franc	242.83	St. Pierre	C.F.A. Franc	242.83
Bhutan	Indian Rupee	8.7649				St. Vincent	E. Caribbean $	2.7025
Bolivia	Bolivian Peso	20.00	Jamaica	Jamaica $ (i)	1.26	Salvador El	Colon	2.50
Botswana	Pula	0.8234	Japan	Yen	242.05	Samoa (Am.)	U.S. $	1.00
Brazil	Cruzeiro	15.455	Jordan	Jordan Dinar	0.3281	San Marino	Italian Lira	877.80
Br. Virgin Is.	U.S. $	1.00				Sao Tome	Port. Escudo	40.51
Brunei	Brunei $	[illegible]	Kampuchea	Riel	n.a.	Saudi Arabia	Ryal	3.5102
Bulgaria	Lev	0.966	Kenya	Ken. Shilling	8.1863	Senegal	C.F.A. Franc	242.83
Burma	Kyat	7.1538	Korea (Nth.)	Won (o)	0.94	Seychelles	S. Rupee	7.3390
Burundi	Burundi Franc	90.00	Korea (Sth.)	Won	484.00	Sierra Leone	Leone	1.1011
			Kuwait	Kuwait Dinar	0.2788	Singapore	Singapore $	2.374
						Solomon Is.	Australian $	0.8874
Cameroon Rp.	C.F.A. Franc	242.83	Laos	Kip Pot Pol (o)	200.00	Somali Rep.	Som. Shilling	6.2950
Canada	Canadian $	1.107	Lebanon	Lebanese £	3.0775	Sth. Africa	Rand	0.8690
Canary Is.	Sp. Peseta	82.865	Lesotho	S. African Rand	0.8690	S.W. Africa Territories	S.A. Rand	0.8690
Cape Verde Is.	Cape V. Escudo	40.51	Liberia	Liberian $	1.00	Spain	Peseta	82.865
Cayman Is.	Cay. Is. $	0.833	Libya	Libyan Dinar	0.2960	Spain Ports in N. Africa	Sp. Peseta	82.865
Cent. Af. Rp.	C.F.A. Franc	242.83	Liechtenstein	Swiss Franc	2.1647	Sri Lanka	S.L. Rupee	[illegible]
Chad	C.F.A. Franc	242.83	Luxembourg	Lux. Franc	35.1173	Sudan Rp.	Sudan £	0.3492
Chile	Ch. Peso (m)	[illegible]				Surinam	S. Guilder	1.80
China	Renminbi Yuan	1.7563	Macao	Pataca	[illegible]	Swaziland	Emalangeni	0.8690
Colombia	Col. Peso (m)	[illegible]	Madeira	Port. Escudo	40.51	Sweden	S. Krona	4.7925
Comoro Is.	C.F.A. Franc	242.83	Malagasy Rep.	MG Franc	242.83	Switzerland	Swiss Franc	2.1647
Congo (B'lle)	C.F.A. Franc	242.83	Malawi	Kwacha	0.8466	Syria	Syria £	3.925
Costa Rica	Colon	8.57	Malaysia	Mal. Ringgit	2.3732			
Cuba	Cuban Peso	0.7773	Maldive Is.	Mal. Rupee	[illegible]	Taiwan	New Taiwan $	37.87
Cyprus	Cyprus £	0.3982	Mali Rep.	Mali Franc	485.70	Tanzania	Tan. Shilling	8.1863
Czechoslovakia	Koruna (m)	[illegible]	Malta	Maltese £	0.4108	Thailand	Baht	20.40
			Martinique	Local Franc	4.837	Togo Rep.	C.F.A. Franc	242.83
Denmark	Danish Krone	6.1473	Mauritania	Ouguiya	45.37	Tonga Is.	Pa'anga	0.8874
Djibouti	Djibouti Franc	180.00	Mauritius	M. Rupee	6.5182	Trinidad	Trin. & Tob. $	2.4083
Dominica	E. Caribbean $	2.7025	Mexico	Mexican Peso	22.675	Tunisia	Tunisian Dinar	0.4279
Dominic. Rep.	Domin. Peso	1.00	Miquelon	C.F.A. Franc	242.83	Turkey	Turkish Lira	19.25
			Monaco	French Franc	4.837	Turks & Caicos	U.S. $	1.00
Ecuador	Sucre (o)	25.00	Mongolia	Tugrik (o)	3.3333	Tuvalu	Australian $	0.8874
Egypt	Egyptian £ (o)	0.3913	Montserrat	E. Caribbean $	2.7025			
El Salvador	Colon	2.50	Morocco	Dirham	4.4680	Uganda	Ug. Shilling	8.1863
Equ'l Guinea	Peseta	[illegible]	Mozambique	M. Escudo	32.60	Utd. A'b Emir	UAE Dirham	3.9996
Ethiopia	Birr	2.0635				Utd. Kingdom	£ Sterling*	1.8164
			Nauru Is.	Aus. $	0.8874	Upper Volta	C.F.A. Franc	242.83
Falkland Is.	Falkland Is. £*	1.8164	Nepal	Nepalese Rupee	12.30	Uruguay	Urug. Peso (m)	5.363
Faroe Is.	Danish Krone	6.1473	Netherlands	Guilder	2.407	U.S.S.R.	Rouble	0.7335
Fiji Is.	Fiji $	0.8882	Neth. Antilles	Antillian Guild	1.80			
Finland	Markka	4.1865	New Hebrides	Aus. $	0.8874			
France	French Franc	4.837		Fr. Franc	[illegible]	Vatican	Italian Lira	877.80
Fr. Cty in Af.	C.F.A. Franc	242.83	N. Zealand	N.Z. $	0.9822	Venezuela	Bolivar (m)	4.2925
Fr. Guiana	Local Franc	4.837	Nicaragua	Cordoba	7.00	Vietnam (N)	Dong (m) (o)	[illegible]
Fr. Pac. Is.	C.F.P. Franc	88.3145	Niger Rp.	C.F.A. Franc	242.83	Vietnam (S)	Piastre (o)	[illegible]
			Nigeria	Naira	0.6534	Virgin Is. U.S.	U.S. $	1.00
Gabon	C.F.A. Franc	242.83	Norway	Nrwg. Krone	5.467			
Gambia	Dalasi	[illegible]				Western Samoa	Samoan Tala	0.7879
Germany (East)	Ostmark (m)	[illegible]	Oman, Sultanate of	Rial Omani	0.3454			
Germany (West)	Deutschemark	[illegible]				Yemen	Ryal	4.547
Ghana	Cedi	1.15	Pakistan	Pkst. Rupee	9.9875	Yugoslavia	New Y. Dinar	18.33
Gibraltar	Gibraltar £*	1.8164	Panama	Balboa	1.00			
Greece	Drachma	35.90	Papua N.G.	Kina	0.7732	Zaire Rp.	Zaire	0.8447
Greenland	Danish Krone	6.1473	Paraguay	Guarani (m)	126.00	Zambia	Kwacha	0.7877
Grenada	E. Caribbean $	2.7025	P'dio D. Rp. of Yemen	S. Yemen Dinar	0.3453			
Guadeloupe	Local Franc	4.837						

n.a. Not available. (m) Multiple exchange rate system, commercial rate used. (o) Official rate. (i) Jamaica 2-tier system introduced April 26, 1977. *U.S. dollars per sterling unit. (a) Approximate rate. Rate quoted is for exports, non-essential imports and tourism.

For further information please contact your local branch of the Bank of America.

RESULTS AND ACCOUNTS IN BRIEF

YORKSHIRE AND LANCASHIRE INVESTMENT TRUST—Results year to September 30, 1977, already known. Group investments £1.42m. ...

SCOTTISH NATIONAL TRUST—Results for year to September 30, 1977, reported November 2. ...

MUNICIPAL PROPERTIES—Rents receivable £196,136 (£86,772) for half-year to June 30, 1977. ...

COUNTY GENTLEMEN'S ASSOCIATION—Turnover £1.97m. ...

CUNULUS INVESTMENT TRUST—Results, year to September 30, 1977, reported November 16. ...

FLIGHTSPARES—Results for the year to April 30, 1977, already reported. ...

ASLAN PUBLISHING SERVICES—Profit for March 31 year £82,314 ...

ABERDEEN TRUST—Results for September 30 year already known. ...

PEAK INVESTMENTS—Results year to May 31, 1977, already known. ...

PALMERSTON INVESTMENT TRUST—Results for the year to March 31, 1977, already reported. ...

LOWLAND INVESTMENT COMPANY—Results for the year to September 30, 1977, already reported. ...

HALLAM GROUP OF NOTTINGHAM— ...

PIRELLI GENERAL CABLE WORKS—Having considered results for the six months to September, 1977, directors have declared interim dividend of £800,000, payable December 13.

STOCKLAKE HOLDINGS—Results for year to March 31, 1977, reported November 25. ...

LONG AND HAMBLY—Results already known, and forecast for current year is for better result than £0.60m. for year to July 31, 1977. ...

TRANSVAAL CONSOLIDATED LAND AND EXPLORATION COMPANY—Taxable profit for September 30 year. South African Rand ...

SCOTTISH AND MERCANTILE INVESTMENT COMPANY—Results, already known. ...

LONDON CREMATION COMPANY—Pre-tax profit £39,212 (£28,535) for six months to September 30. Directors state that in view of expenditure committed ...

BANK RETURN

	Wednesday Nov. 30 1977	Inc. (+) or Dec. (−) for week
BANKING DEPARTMENT	£	£
LIABILITIES		
Capital	14,553,000	
Public Deposits	25,646,532	+ 4,010,980
Special Deposits	1,177,120,000	
Bankers	542,669,891	+ 190,115,757
Reserves & Other Accs.	856,968,416	+ 14,134,551
	2,406,033,839	+ 198,251,288
ASSETS		
Govt. Securities	1,784,890,101	− 46,405,000
Advances & Other Accs.	469,463,693	+ 240,375,625
Premises, Equipment & other Secs.	153,495,812	+ 84,670
Notes	19,961,646	+ 4,210,212
Coin	183,387	+ 15,033
	2,408,033,839	+ 198,251,288
ISSUE DEPARTMENT		
LIABILITIES		
Notes Issued	7,700,000,000	+ 225,000,000
In Circulation	7,680,038,354	+ 220,789,188
In Bank'g Dep't	19,961,646	+ 4,210,212
ASSETS		
Govt. Debt	11,015,100	
Other Govt. Secs.	6,852,890,290	+ 203,950,961
Other Securities	836,124,605	+ 21,119,039
	7,700,000,000	+ 225,000,000

BIDS AND DEALS

Guinness Peat offer for Willows Francis

BY CHRISTINE MOIR

A MOVE designed to double ·e size of its pharmaceutical ınufacturing interests, the :inness Peat Group is bidding 5m. for toothpaste and sheep- › manufacturers, Willows ancis. Terms of the offer are 08p cash or 52 Guinness shares every 100 Willows; and are commended by Willows' Board.

G.P. is already one of the lead- g manufacturers of non- tented ("generic") pharma- nticals through its Regent boratories, and also produces meopathic products at its New a laboratories.

Willows' products range, mainly the dental and veterinary fields, uld fit in neatly between gent and New Era, Mr. G. A. hittaker, a director of GP, said sterday. Much of GP's expan- on overseas is agriculturally ised and the veterinary interests Willows would be comple- entary. "We hope to take illows into Africa and possibly uth America."

The chairman of Willows, Mr. J. Cornforth, who controls ound a third of the equity rough various interests, has revocably accepted GP's offer. too has Mr. W. M. L. Fullerton, e chief executive, who owns st under 10 per cent. of the ares.

Mr. Fullerton pointed out sterday that he is the only ecutive director resident in the K. Mr. Cornforth, who lives Switzerland, has made it known r some time that he would like see Willows as part of a bigger roup and Mr. Fullerton believes hat merger with GP would ermit further expansion as well s offering fair terms to share- olders. Mr. Fullerton would stay n as a director.

Last year Willows' pre-tax ofit was £343,000 compared ith £261,000 the previous year. is represents strong recovery om two bad years in 1974 and 75 when profits first slumped £60,000 and then drifted into ses of £39,000.

On last year's earnings, GP's h offer represents an exit p/e nearly 9. Preference share- lders are to receive 80p in h which compares with a rket price before the bid of p. The Ordinary shares rose to 104p yesterday after the nouncement of the bid and the eference shares reached 75p.

The share alternative from G.P. ich would involve G.P. in ing 678,465 new shares) offers lows' shareholders 107.6p at terday's closing price for G.P. 207p.

is unusual in being pitched htly lower than the cash offer 108p and indicates that G.P. es Willows' shareholders will ept cash rather than shares.

The reason lies in Willows' cash balances which are higher to-day than the £356,000 shown at the June balance sheet date. At that level they were worth 27.4p per share which means that G.P. would effectively be paying only 80.6p per share or just over £1m. for the company if the cash offer is accepted.

Mr. Cornforth has already indicated that he will be accepting the cash alternative for his 35 per cent. stake.

At the last balance sheet date G.P. had £9m. cash and pre-tax profits for the year to March were of the same order. Pharmaceutical manufacturing and trading is only a small part of the group's interests which range from banking to commodity broking.

AC CARS BUYS 70% OF PEM TRAILER

AC Cars, manufacturers of high performance cars, and vehicles for the disabled, is to buy a 70 per cent stake in PEM Trailers from Mr. G. Granville-Lewis, and a 99 per cent. stake in Peebles Engineering and Marine from Mr. Granville-Lewis, Mr. G. Stobbs, Mr. C. S. Sandrey and Mr. C. G. Runyard.

The purchase price for PEM Trailers, which designs, manufactures and fits commercial van and lorry bodies, is £148,260 cash. The price for Peebles, which does not trade but which owns the freehold and leasehold premises used by PEM, is £18,557 in cash.

PEM Trailers made pre-tax profits in the year ending June 30, 1977, of £118,000.

FRUEHAUF/CRANE

Fruehauf International has bought a further 116,000 Crane Fruehauf shares at 100p and now owns or has agreed to acquire 6,813,333 shares (over 44 per cent.).

cmfwyRrshrd cmf shr cmf shr b

Crane Fruehauf is seeking from Mr. George Malley, an executive of Fruehauf, confirmation of assurances which Crane says he gave in Norfolk on Wednesday to the hourly-paid union representatives of Crane Fruehauf that there will be no redundancies amongst Crane Fruehauf employees if the Fruehauf bid is ultimately successful.

Mr. Malley is also being asked if these assurances apply to all staff, since no staff representatives, unionised or non-unionised, were invited to the Wednesday meeting.

D. F. BEVAN

D. F. Bevan (Holdings) has agreed purchase from the executrix of the late Leon Berner, 762,563 Ordinary shares (47.66 per cent. of the issued Ordinary share capital) in Leon Berner Group, at 17½p per share.

D. F. Bevan has also agreed to purchase 379,150 deferred Ordinary shares (just under 95 per cent.) at 10p per share.

Bevan intends to extend a similar cash offer to all shareholders. A further announcement will be made as soon as possible.

Lucas now has 49% of Ducellier

Lucas's drive into the Continental motor components market took a further step forward yesterday when the company announced the purchase of a further 9 per cent. of Ducellier, the French electrical equipment manufacturer, from DBA.

The acquisition brings Lucas's share in the jointly-owned company to 49 per cent., leaving DBA, which is linked with Bendix, the U.S.-based brake manufacturing company, with 51 per cent.

One of the reasons behind the move is Lucas's desire to strengthen its ability to supply its products from more than one base in Europe. This principle is becoming increasingly important in Europe as vehicle assemblers demand alternative supplies to ensure better delivery.

At the same time, the British company clearly wishes to strengthen its management presence on the Ducellier Board in an effort to achieve more influence over its engineering and design policies.

Lucas has had a lengthy experience of co-operation with DBA in France. Until two years ago it was an equal partner with DBA in Roto-Diesel, which manufactures diesel injection equipment, but it then acquired ownership by buying out the French company's stake.

Both Roto-Diesel and Ducellier are in key sectors of the French components markets. Ducellier manufactures standard electrical items—such as lights, starters and alternators—but is also in a position to move into the increasingly important field of automotive electronics.

LONGBOURNE

Acceptances received by Longbourne Holdings from British Indian Tea (Holdings) shareholder amount to 154,013 Ordinary shares (91.5 per cent.) which together with previous holdings total 153,013 Ordinary shares (91.6 per cent.). The offer for the Preference shares is still conditional upon the Ordinary offer becoming unconditional in all respects.

Two tea bids to succeed

BY JAMES BARTHOLOMEW

After a long delay it looks as though two of the six bids in the tea plantations sector are going to succeed.

The bid for British Indian Tea from Longbourne Holdings, part of the Camellia Investment camp, has received 91.5 per cent. acceptances. And Rightwise, which is bidding for Deundi Holdings, has obtained shares and acceptances amounting to 47.1 per cent.

The success of the BIT bid was never really in doubt but that for Deundi Holdings only became odds-on after Rightwise, together with a Jersey investment trust acting in concert, bought another 26,500 Deundi shares at 130p. This price was 20p higher than the bid then on the table which has now been increased too. With the permission of the Takeover Panel, the offer has been raised to 130p (slightly below the price paid) on the understanding that existing shareholders will be allowed to retain the final dividend of 1.625p for 1976.

The Board of Deundi announced yesterday that sufficient funds had now been received from Bangla Desh and that the dividend will be paid on December 30, 1977.

Rightwise has declared that this offer of 130p per share will be its last, following, as it does, previous bids of 75p, 95p and 110p. The Deundi Board has not yet made up its mind whether to recommend this increased offer. In a joint statement, the two parties said that discussions would continue between them "with a view to formulating an agreed basis for the future conduct and development of Deundi." The result of these discussions will be incorporated in the new formal offer document and shareholders are advised to take no action in the meantime.

Mr. Richard Robinow, a director of Rightwise, said last night that he hoped Deundi would keep its stockmarket quotation. It is thought that Rightwise might wish to expand Deundi's interests and that a public quotation would be helpful in this aim. Moreover, the continued quotation might also suit the Deundi Board which is believed still to be unconvinced of the generosity of the latest bid and wants those shareholders who agree to be able to stay with Deundi.

BRITISH ELECTRONIC

Following approval of the scheme of arrangement for the acquisition of British Electronic Controls by SRE Electronics at the relevant meetings held on November 14, the scheme has now been sanctioned and is effective.

NCB/BIT

The value of the offer by Black Diamonds Pensions, an NCB subsidiary for British Investment Trust at the close of business on November 30, 1977, in accordance with its terms, was 165p per share, being the guaranteed minimum cash price. The formula value at the same date as estimated by Wood Mackenzie and Co., stockbrokers, was 164.4p per share.

Further legal wrangles at E & G

Estates and General Investment's shareholders are being asked to sanction the purchase of control of an additional 10 per cent. shareholding in their group by their main shareholder, Mr. Peter Prowting, without calling for a full scale takeover bid. The additional 10 per cent. will take Mr. Prowting's stake in E and G to 39.9 per cent., a holding that would normally automatically trigger off a full bid under Takeover Panel rules.

In 1975 E and G's shareholders successfully fought off a bid by Mr. Prowting's private property company, County and Suburban Holdings.

Mr. Prowting can only avoid making a full bid if an extraordinary meeting of the company agrees to forego it. The meeting has been called for Monday December 19 at Winchester House, London, E.C.

In a document to E and G shareholders, issued last night, Mr. Prowting, whose County and Suburban management team has been running E and G since the abortive bid, explains that the proposed share purchase will settle a protracted legal battle.

In October 1975 Mr. Prowting bought 29.8 per cent. of E & G at 40½p a share from the widow of E & G's former chairman, Mrs. Davidson, and from other Davidson family companies.

Litigation resulting from that deal does not affect E & G. But in the document E & G's chairman, Mr. J. K. Lawrence, writes: "Your directors . . . unanimously recommend shareholders that, although the company is not party to the litigation . . . it is in the company's best interests to avoid further adverse publicity involving your companys' name . . ."

E & G's financial advisers, Lazard Brothers, are also recommending that shareholders vote to waive their rights to call for a full scale bid from Mr. Prowting.

The complex arrangement that should settle the Prowting/Davidson wrangle involves the purchase by Mr. Prowting of a majority shareholding in a private company, Mount Row. Control of Mount Row would give Mr. Prowting voting control of a further 10.1 per cent. of E & G.

It is not clear from the document what assets Mount Row holds apart from its E & G shareholding and shareholders in E & G are not told what price the proposed £133,000 purchase puts on E & G's shares, which were standing at 13p in the market yesterday.

MINING NEWS

W. Mining expects lower first-half profits

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S Western Mining Corporation expects that earnings for the first half of the current year to next June will be "materially less" than for the same period of last year because of lower prices, sales volume and profits from nickel. Demand for the metal is expected to "well below" earlier forecasts, reports our Sydney correspondent.

The chairman, Mr. Arvie Parbo told shareholders at yesterday's Melbourne meeting that the difficult times ahead for nickel may extend beyond 1978. "We are acting on this assumption. Capital and exploration expenditures which were earlier estimated at about $A50m. (£31m.) for 1977-78 are being reviewed and will be reduced to the minimum level necessary to maintain efficient operations," he said.

Mr. Parbo was more sanguine about the longer term. He felt it was likely that the present pause in the development of new nickel projects caused by the unsatisfactory economics of the industry would lead to another period of shortages and very high prices, such as happened in the late 1960s.

Mr. Parbo said that WMC expected a good result in 1977 from its 20 per cent. interest in the aluminium group, Alcoa of Australia. Referring to the promising Roxby Downs copper-uranium find in South Australia, Mr. Parbo said it was likely to be at least a year before ore reserve estimates could be compiled and released.

WMC would almost certainly take a joint venture partner in the project, because of its likely size. Many companies had indicated their interest in joining the project and discussions would be held with them in due course.

The Yeelirrie uranium project in Western Australia was still under a political cloud but WMC had worked out a preliminary assessment of the project's timing. "Our assessment of the market for uranium is that the project should be aimed to come into production in early to mid-1980. This would allow time for pursuing the number of complex matters which must be resolved before a final decision to go ahead can be made," he said.

As with the meeting of the Ranger uranium project partner, EZ Industries, earlier this week the WMC meeting was attended by about 80 anti-uranium protesters, each carrying one WMC share. The protesters heckled, chanted and jingled coins throughout the meeting. WMC shares were 105p yesterday.

CAIL HAS TALKS ON WARKWORTH

The dialogue between Australia's Coal and Allied Industries (CAIL) and the New South Wales Government over the development of the 600m. tonnes' Warkworth coal deposit has moved a stage further with a meeting between company representatives and the state premier, Mr. Neville Wren.

Mr. Wren said that the company would within the next fortnight make a submission to the state government, but he would not disclose any details of their meeting.

Warkworth's future has been controversial since the middle of last month when the state government stepped in and, defying normal practice, declared that it would not convert CAIL's prospecting authority into a licence to mine. Instead the local electric power utility would have 51 per cent. of the mining rights, with the balance offered to CAIL.

Even CAIL's future has been surrounded in doubt. It is the subject of a bid from Conzinc Riotinto of Australia, which currently holds 13.8 per cent. of the company, and Howard Smith, a local group, which holds 44.9 per cent.

The Commonwealth Government has, however, given CRA and Smith permission to acquire 50 per cent. each of CAIL. The state government, nevertheless, has been increasingly concerned about foreign ownership of local resources.

ROUND-UP

Hunting Geology and Geophysics of Borehamwood has completed the flying of aeromagnetic surveys over western Austria and southern Germany under two contracts awarded to the company, after international competition, by Niedersachsisches Landesamt Fur Bodenforschung of Hanover, and the Institut Fur Meteorologie und Geophysik der Universitat Wien, Vienna.

* * *

Emperor Mines is to reduce its workforce at the loss-making Fiji gold mine to 300 from 1,300 following advice from the Fijian Government that no further assistance can be forthcoming. It is hoped that the operations might become profitable on a reduced working basis.

* * *

The Rio Tinto-Zinc group's 81 per cent.-owned Preston Mines is negotiating an agreement with Ontario Hydro in regard to the reopening of Preston's Stanleigh uranium mine at Elliot Lake, Ontario, which was closed in 1960. Uranium concentrates produced would be sold to Ontario Hydro.

* * *

Tioxide Australia now owns 40 per cent. of the Australian mineral sand producer, Westralian Sands, following an issue of 28.6m. shares of the latter. The Tioxide group is 44 per cent. owned by Imperial Chemical Industries, 44 per cent. by Lead Industries and 12 per cent. by Federated Chemical Holdings.

Randfontein: 200c final

THE December half-yearly dividend season of South Africa's gold and uranium mines is opened with a flourish by the Johannesburg Consolidated group's Randfontein which is paying a final of 200 cents (126½p). This higher than expected payment makes a total for the year of 350 cents compared with 200 cents for 1976.

On the other hand, the final of 4.55 cents declared by Elsburg is disappointing and makes a total of 8.45 cents against 9.75 cents for last year. At the lower end of expectations is the 7 cents final of Western Areas which makes 13 cents for the year against 15 cents last time.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Sidor seeking $500m. overseas

BY JOSEPH MANN

CARACAS, Dec. 1.

THE VENEZUELAN Government steel manufacturer—Siderurgica del Orinoco (Sidor)—is currently attempting to raise $500m. from foreign banks in order to fund its expansion programme, bankers here said to-day.

Sidor is in the process of increasing steel production capacity from the current level of 1.2m. metric tons a year to 4.8m., and is wholly-owned by the Venezuelan Government.

The steel firm already has $1bn. in outstanding debt — mostly short term—and is now seeking $500m. for an eight-year period with two to three years' grace. Foreign banks are already trying to put together a package acceptable to the State entity, which is looking for a spread of less than one per cent. over Libor. The Venezuelan Government has raised $2.9bn. through foreign loans and bond issues during the past fourteen months and obtained highly favourable rates on its international loans.

● Meanwhile Citicorp has been mandated by Jamaica to raise $40m. Terms as yet are undisclosed.

Gain foreseen at Lone Star

By Our Own Correspondent

ZURICH, Dec. 1.

THIS YEAR should see new turnover and profit records for Lone Star Industries, according to Board chairman James E. Stewart. He forecast that sales of the Greenwich, Connecticut, company—the biggest cement producer in the western hemisphere — should rise from $724.1m. last year to some $800m. in 1977.

Next year turnover is expected to increase to more than $1bn., said Mr. Stewart, who stated that earnings this year and in 1978 should rise accordingly. Lone Star Industries, which apart from its leading position in cement is the top U.S. supplier of sand, gravel and ready-mixed concrete, has booked a steady rise in primary net income in recent years, to reach $2.44 per Common share in 1976. Profits for the first nine months of 1977 were up 8.3 per cent. on a per-share basis and this year as a whole is expected to be "very satisfactory."

Kiln capacity use is currently running in excess of 90 per cent., said Mr. F. Eugene Purcell, vice-president, administration. Lone Star, which has an annual capacity of some 44.5m. tons, expects to benefit in the price sector from a future 8 per cent. growth in demand in comparison with a supply increase of only 2 per cent.

Business is also expanding in the field of builders' merchant materials and do-it-yourself retail operations. From a virtual break-even in 1975, the responsible national building centres group booked an operating profit of $9.4m. last year and expects to double this in 1977.

Northern Telecom takes stake in Data 100

NORTHERN TELECOM, manufacturing arm of Bell Canada, has bought 1m. shares, or 12 per cent., of Data 100 Corporation, Minneapolis at $U.S.15 a share cash, reports Robert Gibbens from Montreal. It also has the option to buy up to 35 per cent. of the Data capital and will put up $5m. towards a joint research project in the field of office communications systems.

Data 100 achieved sales of $121m. last year, and makes multifunction computer terminal systems which communicate with central computers via telephone lines.

Major policy changes proposed for OIAG

BY PAUL LENDVAI

PROPOSALS put forward by Dr. Franz Geist, director-general and chairman of OIAG, holding company for the Austrian nationalised industries, have sparked off a public debate about the future of OIAG and its relationship to the individual companies.

Dr. Geist whose contract expires in four months bluntly told the press that the holding company should either be given decision-making powers with regard to the disposal over the cash flow of the entire group or that the holding company with its budget of Sch.70m. (£2.4m.) should be liquidated.

In a public lecture delivered here earlier this week, the outspoken chief of the powerful nationalised sector sketched out the necessary institutional changes for the group with an annual turnover of Sch.96.5bn. and a labour force of 116,200. The nationalised industries comprise the steel, chemical, oil, aluminium, non-ferrous metal industries and large segments of the heavy engineering and electrical industries. OIAG as a concern accounted last year for 20 per cent. of the aggregate industrial output, 17.3 per cent. of the industrial labour force and 23 per cent. of exports.

Thus the blueprint presented by Dr. Geist involves issues of crucial importance for the Austrian economy as a whole. Specifically, he suggested the setting up of a central planning body to decide about the channelling of the accumulative cash flow to the various enterprises and hte long-overdue re-deployment of capacities in steel, chemicals, engineering and electronic branches.

This was necessary in view of the enormous investments in the region of Sch.42bn. which will have to be made from now up to 1982 in the nationalised sector, he said. Therefore the cash flow of the individual companies should be concentrated and distributed by the board of OIAG according to the needs of the various branches.

Furthermore, Dr. Geist also proposed the founding of a central consulting company to co-ordinate the planning and execution of major orders for the delivery of complete industrial plants abroad. It would also involve private companies and primarily it would affect business with the third world.

Finally, the director-general said that the consulting company should also consider the participation in tapping raw material reserves abroad. He mentioned that the purchase of U.S. coal-mines by the nationalised steel company, Voest-Alpine, should be only the first step in this direction.

The attempt to give the holding company far-reaching executive competences was already rejected yesterday by the deputy-chairman of its supervisory board since it would only help cover up the real situation of the individual companies and would divest their boards of real decision-making powers. Evidently the managers of the large concerns are also not very enthusiastic about the revamping of the holding company.

Two years before the next elections, Chancellor Bruno Kreisky, and his Socialist colleagues are unlikely to embark on a politically risky, large-scale re-organisation of the chain of command in the nationalised sector. But Dr. Geist's blunt warning, issued twice this week, can only promote the debate about the necessity of a ruthless rationalisation of these crucial industries.

Schering sales growth slows

BY LESLIE COLITT

WEST BERLIN, Dec. 1.

SCHERING, THE West Berlin-based pharmaceuticals and chemicals company with 140 world-wide plants and subsidiaries, reports that group sales at the end of September were up 4 per cent. to DM1.6bn. (£396m.) over the same period last year.

Although this marks a considerably slower turnover growth than in 1976, profits are expected to be "satisfactory" this year, it has told shareholders. The company notes there were fewer extraordinary expenses this year than last when profits of Schering AG rose by 2 per cent. to DM45m. on the German company's sales of DM1.2bn.

The company's group sales this year for the first time included Nepera Chemical Company in the U.S., which was acquired in 1976 and which had sales this year equal to DM44m. Schering notes that its group turnover, which includes all subsidiaries in which it has more than a 50 per cent. interest, was "negatively influenced" by the depreciation in the value of a number of currencies against the Deutschemark. The exchange rate losses are felt by Schering as its holdings in the U.S., in addition to Nepera, include a 50 per cent. share in the Knoll pharmaceutical company in New Jersey and Schering's wholly-owned Nor-Am Agricultural Products Inc. in Illinois.

Schering AG sales in West Germany this year fell 1.1 per cent. to DM361m., while exports rose 6.2 per cent to DM620m. Exports now make up 63 per cent of the company's sales. Domestic drug sales fell, while exports of drugs stagnated. Turnover in quality pharmaceutical chemicals were said to be good in the first half-year and unsatisfactory in the third quarter. Sales of plant protection chemicals also fell because of the retraction of a product which had been doing well. Industrial chemicals and electro-plating sales were especially buoyant.

Following Schering's just-announced acquisition of Philips-Duphar, a producer of agro-chemicals in West Germany, from Philips of the Netherlands, the Berlin company may be aiming at further individual take-overs of the chemicals subsidiaries of the Dutch electronic company in Europe and the U.S. Negotiations with Philips collapsed earlier this year for the purchase by Schering of Philips-Duphar in Amsterdam which controls the parent company's chemicals operations in Europe. The Dutch trade unions objected to the deal on the grounds that it would have led to losses of jobs. Schering is known to be specially interested in Philips chemical and pharmaceutical interests in the U.S. which fall under the North American Philips Corporation.

Brazil steel order

Schloemann-Siemag and Ferrostaal said they signed a DM550m. contract with State-owned Aco Minas Gerais (Acominas) of Brazil to supply it with two high-performance rolled steel section plants. The planned start for both is 1980-81, the heavy section plant to produce an initial 500,000 tonnes a year.

Alumina plan

Schweizerische Aluminium (Alusuisse) said it and Corporacion Venezolana de Guyana (CVG) had set up Interamericana de Alumina (Interalumina) to construct and operate a 1m. tonnes per year alumina plant at Ciudad Guyana on the Orinoco river.

No comment on capital increase from VW

By Jonathan Carr

BONN, Dec. 1.

VOLKSWAGEN to-day responded to another spate of rumours about its long-awaited capital increase, with the statement that there is "nothing new" to be said on the topic.

Reports apparently emanating from sources close to the Government of Lower Saxony, which has a 20 per cent. stake in VW, had suggested that the company would next year increase capital by DM300m. in two stages.

The company's position remains that its present basic capital—DM900m.—is too low, that an increase probably through a rights issue must come—but that the final decisions have yet to be taken.

Few doubt that the decisions can be long delayed. VW long ago set two conditions to be fulfilled before an increase would be made. One was to be sure that the improvement in profits would endure. The other was that the Stock Exchange "takes proper account of the company's achievements."

The first point seems as close to confirmation as it is fair to expect—after DM1bn. net profit last year and strong official hints of a dividend increase for this year.

The second must at least be in large measure answered by the upsurge in VW's shares this year—up again to-day by DM2.30 to DM213.30, partly on news of the company's new order to deliver 10,000 "Gofl" to East Germany.

EUROBONDS

Finance for Ind. priced

By Francis Ghilès

THE BOND market was very quiet yesterday. Some prices were a little easier at the close of trading but overall the market remained fairly featureless in much thinner trading than earlier in the week.

In the sterling sector, the £20m. Finance for Industry bond was priced at 99½, to yield 9.58 per cent. as expected, with terms otherwise unchanged. The ECSC and Total Oil Marine issues closed unchanged after a day of virtually nil trading. Venezuela plans to raise Y20bn. 12 year bond with a coupon of 6.8. Lead manager is Yamaici Securities.

Reduced loss seen at German Akzo

AKZO NV's German subsidiary Enka Glanzstoff AG will make a loss this year of less than its DM58.9m. shortfall in 1976, but the reduction will be below the 30 to 40 per cent. originally hoped for, a company spokesman said, reports Reuter from Wuppertal.

Credit Suisse disposes of retail interest

BY JOHN WICKS

ZURICH, Dec. 1

CREDIT SUISSE is to sell its 50 per cent. stake in the leading Swiss department store concern, Grands Magasins Jelmoli SA, of Zurich for a price of "rather less than" Sw.Frs.300m., some £77m. The purchaser is UTC International AG, a subsidiary of the Basle trading company Basler Handels-Gesellschaft AG.

Last month Credit Suisse was ordered by the Swiss central bank to pay some £15½m. in "negative interest" penalties in connection with the alleged illegal movement of funds through its branch in Chiasso, Italy. At the time the Swiss federal authorities said they would appeal against the decision: they demanded a payment nearer to £68m.

The Jelmoli Group, which last year booked a turnover of Sw.Frs.937m., consists of the Jelmoli department store chain and those of the Innovation SA, Lausanne (Jelmoli shareholding, 52 per cent.), and Au Grand Passage SA, Geneva (Jelmoli shareholding: 51 per cent.).

Credit Suisse acquired its one-half stake in 1969, since when Jelmoli's cash flow has roughly doubled and dividend has risen from Sw.Frs.10 to Sw.Frs.20 per share.

The purchaser of the Credit Suisse holding, UTC, has a consolidated turnover of more than Sw.Frs.1.5bn., much of it from foreign retail activities. The company now intends to concentrate operations more in Switzerland and to this end started negotiating with Credit Suisse some weeks ago.

The sale will take place by the acquisition by UTC International of the capital of the Credit Suisse subsidiary Gramag Holdingesellschaft fuer Warenhauswerte AG, Lucerne, whose sole asset is the stake in Jelmoli and which has been receiving the bank's share of Jelmoli dividend payments.

Credit Suisse points out that its decision to divest the Jelmoli stake was influenced both by necessity of creating additional reserves in connection with Chiasso case earlier this year when Sw.Frs.2.17bn. of client fiduciary funds were misdirected —and by debate on the question of the bank's non-banking participations.

At the extraordinary general meeting of Credit Suisse held in June to discuss the events at Chiasso, chairman Dr. Oswald Aeppli said it was not intended to retain the participation "for all time."

It was stated to-day, however, that Credit Suisse has at present no specific intentions to dispose of its shareholding in the Zurich-based industrial holding company Elektro-Watt AG.

UTC, which will actually take over the Credit Suisse stake in Jelmoli on December 15, intends to have the department store concern continue to work along present lines and to continue the dividend policy which it calls "friendly to shareholders."

SIR directors in fraud probe

BY PAUL BETTS

ROME, Dec. 1

SIG. NINO ROVELLI, managing director of the Italian petrochemical group, Societa Italiana Resine (SIR), and six other members of the Board were formally notified to-day by the Rome Deputy State Prosecutor, Sig. Luciano Infelisi, that judicial inquiries had been opened against them on charges of "alleged falsification of balance sheets and fraud against the State."

The issue involves subsidised credits carrying low 3 per cent interest rates granted to the group during the last six years and which, according to preliminary inquiries by the judicial authorities, were allegedly not used for the purposes for which they were orginally meant.

To-night an SIR spokesman told the Financial Times that the company hoped that inquiries would be completed quickly to clear the whole matter.

Some 300 members of the Guardia di Finanza, Italy's special fiscal police force, are reported to be collaborating in the inquiries in Milan, where the group's headquarters are based, as well as in Rome and Palermo in Sicily.

The SIR group, one of Italy's leading chemicals and synthetic fibres companies with an annual turnover of more than L1,000bn. (£650m.) and employing over 8,000 people, has numerous industrial interests in Italy's depressed south.

The company is not listed on the Milan Stock Exchange.

Dresdner Bank profits up 10%

BY GUY HAWTIN

FRANKFURT, Dec. 1

THE DRESDNER Bank, West Germany's second largest commercial bank, to-day reported that profits in the first ten months were up by 10 per cent. Although interest margins had narrowed, demand for credit had increased.

According to Herr Helmut Haeusgen, spokesman for the bank's Executive Board, the Dresdner's balance sheet total increased in the first ten months of the year by 11.6 per cent. to DM60.2bn. (£14.9bn.). The increase during the same period of 1976 was 6.5 per cent.

The Press conference, which seemed extraordinarily flat without Herr Juergen Ponto, the bank's chief executive who was tragically assassinated by terrorists this summer, was told that Dresdner Bank's business volume rose by 12 per cent. compared with the performance during the same period of 1976 to DM6.1bn. (£1.51bn.) The credit volume since the beginning of the year went up by DM2.3bn. — or 6 per cent. — to DM43.2bn.

Demand from foreign customers had contributed greatly to growth. Short and middle term credit business had moved upwards, with demand coming from both retail and wholesale sectors.

Customers' deposits rose by 2 per cent. to DM36.8bn., indicating a stagnation on the savings side. However, the most important reason for this was the interest in more attractive savings methods.

Deposits from other banks increased from DM12.6bn. to DM15.8bn. At the same time consolidated business volume of the group rose from DM... to DM111bn.

Bayern Hypo assets

TOTAL ASSETS of Bayerische Hypotheken-und Wechsel-Bank (Bayern Hypo) rose 14 per cent in the first ten months to DM38.752bn. from DM33.87... at end-1976, the bank said in its interim report, said AP-DJ from Munich. The bank said the capital market interest boosted demand for long-term loans, which were up 45 per cent from the first ten months of 1976. Mortgage loans rose nearly 50 per cent. in the ten months compared with the like year-ago period, it noted.

INTERNATIONAL CAPITAL MARKETS

Y15bn. destined for SIA

BY ANTHONY ROWLEY SINGAPORE, Dec. 1.

SINGAPORE Government ... raise around S$145m. on the ... o capital market through a ... n. 10-year bond issue some... this month.

... proceeds will be on-lent to ... pore Airlines (SIA), the ... nal air carrier, which was ... ally to have issued the ... itself until problems arose ... whether the airline should ... designated a private corporation or a Government body, it is understood.

Price and coupon for the issue, which has been provisionally timed for December 19, have yet to be announced. This will be the second Japanese issue by the Singapore Government which raised Y10bn.—about S$90m. at prevailing exchange rates—through a bond issue in Tokyo in December last year.

With the latest Japanese issue, the Singapore Government has made foreign borrowing totalling around S$350m. over the past 12 months.

At the end of last year, external debt represented less than 10 per cent. of Singapore's total official debt, however, and at around 1 per cent., Singapore's debt service ratio is among the lowest in Asia.

CIG earnings rise by 22%

BY JAMES FORTH SYDNEY, Dec. 1.

COMMONWEALTH INDUSTRIAL Gases (CIG) capped off a ... year with a 22 per cent. ... in earnings, from $A10.8m. ... $13.25m. The directors have ... red a final dividend of 6.5 ..., in line with forecasts made ... October when the company ... unced a one-for-three free ... issue. Total dividend for ... year is 12.5 cents compared ... 14 cents last year on ... capital. Total dividend ... ut rises almost 15 per cent. ... $A6.9m.

... G supplies about 80 per cent ... ustralia's industrial gases. ... p sales rose 12 per cent, ... $A148m. to $A166m. How... depressed conditions in the ... fabricating and foundry ... stries, particularly in New ... h Wales, reduced operating ... gins and increased competi...

On the brighter side, sales ... profits overseas, and in some ... domestic markets, were ... uraging.

... e company benefited from ... stment allowances, which re... d the tax liability by ... 5m., and another $A427,000 arising from stock valuation adjustments. Reflecting a higher level of liquidity during the year, the profit included interest received of $A2.28m., compared with $A1.4m.

Capital expenditure totalled $A27.6m. for the year, and the directors expect that it will rise to $A32m. for the current year.

The result lifted earnings per share from 23 cents to 28.1 cents, providing more than double cover for the dividend.

MLC increases dividend

BY OUR OWN CORRESPONDENT SYDNEY, Dec. 1.

THE MLC major Australian life and general insurance group, has increased interim dividend from 9 cents to 9.5 cents a share, following increased business. Last year the group followed up with a final of 9.5 cents, lifting total payout from 18 cents to 18.5 cents a share.

New business written in Australia by the principal subsidiary, the Life Office Mutual Life and Citizens' Assurance Co. increased from $A1,264m. to $A1,392m. for the ten months to October 31. In the same period new business in New Zealand slipped from $A122m. to $A120m., making the overall increase from $A1,387m. to $A1,512m.

New premium income rose from $A24.35m. to $A25.48m. The directors said that until the valuation of policy liabilities was completed in March 1978 it was not possible to calculate surpluses for the ordinary and collector branches for 1977. The two wholly-owned fire and general insurance subsidiaries, were showing a small combined loss for the ten months but it was expected there would be an overall profit for the full financial year.

JAPANESE BANKS

Sanwa, Tokai profits advance

BY DONALD MACLEAN

SANWA BANK has reported a ... per cent. gain in net profits ... the half-year to September ... Y13.635bn. (some £30m.), ... Y11.89bn. in the same ... last year, and Tokai Bank ... e of 14.4 per cent. to ... bn. from Y7.397bn., AP-DJ ... s from Tokyo.

... increases compare with ... of 18 per cent. at Fuji Bank ... 5.3 per cent. at Mitsubishi ... ted in the Financial Times ... day), and also with a ... e of 41.3 per cent. at ... omo Bank, which bore the ... (Y£13.2m.) of the ... bn. written-off by 16 ... ese banks in the half-year ... taka and Company, the ... g house merged into ... h and Company in October. ... ough the Ataka write-offs ... overshadowed the Japanese ... g results for the half-year, ... Kyowa Bank writing-off ... on this and Bank of ... Y19.2bn., the Japanese ... g industry in general, ... s AP-DJ, was restrained ... the period by lower profit ... s on loan interest charges, ... the cost of maintaining ... ts, as a result of cuts in ... ficial discount rate to a ... low, and poor demand ... siness loans.

The discount rate was cut to 4.25 per cent. in September—the third cut this year—and stood at 6.5 per cent. in March.

Bankers say that the tendency of profit margins to decline is continuing. There is usually a lag of two to three months after a discount rate cut before deposit rates come into line with the movement, they comment.

Two of the Japanese City banks, Dai-Ichi Kangyo, which is the leader in terms of deposits, and Taiyo Kobe, have said that their margin fell to a negative level in the half year. At Dai-Ichi Kangyo (which reported a 13.3 per cent. net profit gain, to Y14.185bn.), deposit costs exceeded loan profits by 0.16 per cent. in the half, whereas in the half-year to March there was a favourable margin of 0.28 per cent.

Sumitomo, which has claimed "good" increases in overall income from banking activities—the Ataka debts aside—said that the margin of its deposit costs to profits from loans remained positive, but at the substantially lower level of 0.196 per cent. compared with 0.494 per cent. in the half ended in March.

Sumitomo's income, before extraordinary gains, losses and income-tax rose to Y47.4bn., from Y35.1bn. in the immediately preceding half, and Y32.7bn. in the six months to September, 1976. Stockholders' equity in the bank increased to Y318.6bn., from Y314.9bn. in the March half-year, and Y284.2bn. in the previous September half-year. The banks' hidden assets, which do not appear on the balance sheet, rose to Y523.5bn., from Y499.8bn. at March 31. These assets for the most part represent understated value on securities and property.

Sumitomo's deposits rose to Y7.544bn., from Y7.311bn. at March 31, and Y7.061bn. at September 30 last year.

Tokai Bank's deposits rose to Y5,533bn., from Y5,074bn. a year earlier, and Sanwa Bank's to Y7,267bn., from Y6,876bn.

Current revenues from operating income rose to Y235.474bn., from Y310.999bn., at Tokai, and to Y316.233bn., from Y310.999bn., at Sanwa.

● Mitsui Bank has announced a rise in after-tax profits for the half-year of 8.9 per cent. to Y8.55bn., from Y7.85bn. in the same period last year. The bank's dividend is unchanged, at Y2.5 a share.

DOMESTIC BONDS

Frankfurt markets mark time

BY JEFFREY BROWN

... RDAY'S meeting of the ... council of the Bundes... produced no fresh mone... centives for bond dealers ... kfurt to eschew. So with ... only one more bi-weekly ... before the Christmas ... s it begins to look as ... capital markets in Ger... re going to see out the old ... a distinctly unseasonal ...

... now almost three months ... e authorities tapped the ... m bond market for funds. ... h October and November ... ve preferred to concen... the shorter end of the ... —with issues in Kassen... un and, this week, ... cheine — where private ... s and institutions alike ... een relatively receptive. ... ne attempt to reactivate ... ger end of the market ... n be made.

... Federal Republic last ... en-year paper (DM800m.) in September when the market's second 6 per cent. coupon effectively marked the end of the strong mid-year surge for bond prices—one that had made for a decline in average bond yields since early January of something like a third. Since that issue, which took far longer to place than the Bundesbank had expected, the authorities have had a difficult time in holding market levels.

At present bond market activity remains very low. But the current "pause" is at least being underpinned by a lack of sellers given that the important interest payment dates of early January are now looming large.

Apart from this, investor and dealer preoccupations are tending to focus upon some of the market's more esoteric influences—like the growth of the money supply in Germany and its implications for the rate of domestic inflation. Money supply is currently running some 9 per cent. ahead against a 1977 target of 8 per cent: this month should see the Bundesbank spelling out its targets for 1978.

More immediately, there is the prospect of the Bundesbank attempting to stir the bond market into action in order to keep on course with what will almost certainly prove to be a substantially increased funding programme. After all, the Government borrowing requirement for 1978 has been officially forecast to rise from DM.35bn. to DM.50bn. which effectively puts the borrowing requirement back to its levels of 1976.

In this case the next tangible hurdle for dealers will be the Government's traditional end of year loan. The point at issue here is that the most recent Federal Republic issue continues to sell in the unofficial inter-bank markets at a discount to its official issue price of 99½.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

...TS	Bid	Offer		Bid	Offer		Bid	Offer
...tralia 8½pc 1989	100	100½	Gotaverken 7½pc 1982	98½	99½	Midland 1987 7 11/16pc	99½	99¾
... 1987	97	97½	Kockums 8pc 1983	96½	97½	OKB 1983 6½pc	98½	99¼
... 1992	96½	97½	Michelin 8½pc 1983	100½	101	SNCF 1985 6 13/16pc	97½	97¾
...M. & S. 8½pc '92	100½	101	Montreal Urban 8½pc 1981	99½	100½	Stndd. and Chtrd. '84 6½pc	99½	99¾
...Bank 8½pc 1992	99	99½	New Brunswick 8pc 1984	99	99½	Wms. and Glyns 1984 7pc	99½	99¾
...8pc 1992	100½	101	New Bruns. Prov. 8¼pc 1983	102½	103	Source: White Weld Securities.		
...Railway 8½pc 1986	99½	100½	New Zealand 8½pc 1986	96½	99½			
...ional 8¼pc 1986	95½	95½	Nordic Inv. Bank 7½pc 1984	97½	98½	CONVERTIBLES		
...8½pc 1984	101½	102	Norsk Hydro 7½pc 1982	98½	99½	American Express 4¼pc '87	82	84

STERLING BONDS

DM BONDS

FLOATING RATE NOTES

Source: Kidder, Peabody Securities.

FARMING EQUIPMENT IN LATIN AMERICA

Squaring up for expansion

THE GROWTH of demand for agricultural equipment in Latin America is striking. Estimates published recently by Massey Ferguson of Canada suggest that by 1985 the Latin American share of total sales of agricultural tractors in the non-communist world will have risen to no less than 27 per cent. compared to 14 per cent. in 1975.

Not surprisingly competitive pressures among the international manufacturing companies are already beginning to show, notably among the five countries — Bolivia, Colombia, Ecuador, Peru and Venezuela — that make up the Andean Pact. This market is the fourth largest for agricultural equipment in Latin America, behind Brazil (which accounts for more than half of regional sales), Argentina and Mexico.

However, unlike the latter countries which have had an integrated tractor industry since the early sixties, production in the Andean Pact countries is only just beginning. And rivalry between the major companies like Massey Ferguson, British Leyland and Deere of the U.S. over the establishment of manufacturing facilities has been intense.

Initial success went to Massey-Ferguson, which in 1972 set up a joint venture company in Peru, called Tractores Andinos S.A. (TASA), on which it took a 49 per cent. interest, with the Peruvian government supplying the remainder of the equity. Assembly of four lines of tractors, ranging from 55 to 94 hp, started in temporary facilities in 1974, and a manufacturing plant with a capacity of 2,000 units per year was opened in 1976 in the northern town of Trujillo. As demand in Peru currently runs at about 500 tractors per year, a large proportion of output is clearly destined for export, chiefly to other Andean countries.

Tractors fall under the Pact's regional development programme for the automotive industry, and production was initially assigned exclusively to Peru. From the point of view of economic efficiency this made good sense, as large volumes of output (far in excess of the whole Andean market) are needed to achieve optimal costs of production in the tractor industry.

The countries of the Andean Pact are only just beginning to produce basic agricultural equipment. Writing from Caracas, Peter West spotlights the way that the major manufacturing companies are scrambling for a slice of the action.

However Venezuela, which had been considering the establishment of a plant since the late sixties, was stirred into action by the Peruvian project, and was able to negotiate an assignment for production when it entered the Pact in 1973.

The desire of Venezuela to have its own plant was hardly surprising, given that the country accounts for well over half of the Andean tractor market.

Interests in the Venezuelan market by major firms was demonstrated by the fact that no less than 12 companies initially presented offers for the construction of local manufacturing facilities. In the end the contract was won by Deere and Co. of the U.S., at present the largest importer with around 25 per cent. of the market, partly because it offered to supply technology at zero royalty rate.

Construction of the plant, which will have a capacity of 6,000 units per year, began in June, and assembly operations will start early next year with full production following somewhat later. Diesel engines for the project are to be produced in a separate facility together with engines for Fiat and Mack trucks. The whole complex, located in Ciudad Bolivar in the eastern province of Guayana, will represent an investment of approximately £50m. Part of the finance is being provided on highly favourable terms by the government.

The competition which is likely to develop between the Peruvian and Venezuelan plants was summed up in the following terms by an official of the Venezuelan company: "Peru will be trying to capture the Andean market from below, while Venezuela will be attacking it from above." At the same time it is still possible that Colombia might acquire an assignment for production.

Thus it begins to look as if competitive pulls between governments and companies—the former eager to have production located on their territories and the latter wishing to protect and increase market shares—are beginning to conspire against efficient industrial planning.

The duplication of plants in an industry characterised by such important economies of scale as tractors, can only result in higher costs of production, higher investment costs for farmers and, ultimately, higher prices of agricultural produce to the consumer.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Mixed performance at mid-session

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Dec. 1.

STOCKS ON Wall Street put on a mixed performance at mid-session to-day after a reasonable business.

The Dow Jones Industrial Average was 2.34 easier at 827.36 at 1 p.m., although the NYSE All Common Index recorded no alteration at $52.36, while gains outnumbered declines by a six-to-five ratio. Trading volume expanded to 16.67m. shares from 13.75m. at 1 p.m. yesterday.

Closing prices and market reports were not available for this edition.

Analysts said the market continued to be concerned about the health of the economy and by the sharp decline on Tuesday, which was barely arrested by the modest late rally yesterday. They also commented that some investors may have decided to wait for the weekly U.S. Money Supply figures, due after to-day's stock market close.

WEDNESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Brunswick	327,600	13	+⅛
Pacific Gas & Elec.	273,500	23½	—
General Motors	228,800	64	−¼
Citicorp	222,300	23⅛	+⅛
Dow Chemical	193,300	27⅛	—
Ramada Inns	167,400	4½	+⅛
Digital Equipment	162,300	47⅛	+⅛
NCR	151,400	40⅞	+1⅛
Airco	139,200	36⅛	−1⅛
Sears Roebuck	138,700	30⅛	−⅛

British Petroleum, the leading active, lost $⅜ to $16¼ despite reporting higher third-quarter net trading income.

Standard Oil of Ohio declined $3⅜ to $71⅝, while Exxon, $46½, Texaco, $27½, and Standard Oil of California, $39¾, each shed $¼.

Among Retailers, Sears eased $⅛ to $29⅞ and K Mart $⅛ to $29⅞, but Woolworth added $⅛ at $20½.

Du Pont lost 1 to $116¾, Monsanto $1⅛ to $55⅜, Akzona $⅜ to $12, and Celanese $⅜ to $40¼, reflecting bearish Press comment concerning fibre operations.

THE AMERICAN SE Market Value Index managed a further improvement of 0.52 at 123.39 at 1 p.m. on turnover of 1.93m. shares (1.45m.).

Volume leader Syntex rose ⅜ to $21½, while Dome Petroleum added another $⅜ at $46⅞ and Flying Diamond Oil jumped $1⅜ to $26. Houston Oil, however, slipped $⅜ to $31½.

OTHER MARKETS

Canada higher

Canadian Stock Markets continued to move ahead yesterday morning in active trading, the Toronto Composite Index rising 2.1 more to 1,019.6 at noon. Oils and Gas put on 6.6 to 1,374.1, Golds 3.1 to 1,240.1, Utilities 1.25 to 167.97, and Banks 1.06 to 231.40, but Papers declined 0.66 to 90.55.

Great West Steel, which reported a reduced third quarter loss, added 10 cents at $2.60. Asbestos, $42, and Bow Valley, $21⅛, gained $1 apiece.

PARIS—The market was higher on balance, with trading less affected by the one-day national strike than expected.

Banks, Properties, Portfolio Investment companies, Foods, Buildings, Hotels and Stores were all firm sectors.

Engineerings and Electricals were irregular, while Metals weakened, led by Creusot Loire, down 1.5 at Frs.61.

Share quotations will be delayed to-day by half-an-hour, until 1 p.m. local time, while Bourse staff vote on whether to strike next Monday in support of pay and job security claims, dealers said. Bond quotations, which normally begin at 11.30 a.m. local time, may not take place, they added.

BRUSSELS—Stocks ended on a mixed note after another thin trade.

Electrobel improved 50 to Frs.6,600 after announcing a proposed capital increase. Societe Generale recovered 20 to Frs.1,810 and Petrofina 25 to Frs.3,875, but Sofina were 20 down at Frs.3,020.

U.K. issues were higher in places, while German, Canadian, U.S. and French stocks rose, but Gold Mines softened.

AMSTERDAM—Stocks moved narrowly with no decided trend.

Most Banks firmed, while Transports also gained ground. Elsewhere, Hunter Douglas retreated 2.7 to Fls.26.1.

State Loans were little changed.

GERMANY—Share prices mainly pointed higher on active demand, reflecting renewed confidence.

Deutsche Bank gained DM1.70 following the interim report. Thyssen-Industrie, which forecast improved results for the year 1976-77, advanced DM3. Kloecknerwerke added DM1.80.

Daimler led Motors up to DM5.50 firmer, while Stores had Karstadt DM4 up.

Elsewhere, GHH rose DM4, but AEG lost DM3.10.

Public Authority Bonds were up to DM0.20 easier. The Regulating Authorities bought DM2.8m. nominal of stock compared with DM2.6m. the previous day.

Mark Foreign Loans were little changed in a quiet market.

COPENHAGEN—Stock prices made further headway in moderate dealings, with Burmeister and Wain adding 7 to Kr.375.

STOCKHOLM—Generally higher, Ericsson B advancing 5 to Kr.117.

VIENNA—Market was mainly quietly steady, although Minings drifted lower.

Veitscher Magnesit shedding 3 to 217.

MILAN—A strike by Bourse clerks in protest against the operating problems of Italian stock markets prevented official quotations yesterday, Bourse sources stated.

SWITZERLAND — Prices were slightly higher on selective demand despite the weaker dollar.

Oerlikon-Buehrle were supported and rose 50 to Frs.2,450 in Financials. Leading Industrials showed small gains over a fairly broad front, apart from Ciba-Geigy Registered, off 4 at Frs.638.

SPAIN—All sectors continued to decline although turnover was slight. The market index shed 0.77 more to 64.19.

JOHANNESBURG—Gold shares finished easier for choice, with the continued strength of the Securities Rand price acting as a depressant. Losses ranged to 35 cents.

HONG KONG—Steady in very light trading, with the market awaiting the outcome of the Brussels textile talks.

Hong Kong Land gained 5 cents to $HK6.85, but Wheelock Marden eased 1.5 cents to $HK2.435. Hong Kong Bank, Hutchison, Swire Pacific and Jardine Matheson were all unchanged.

TOKYO—Share prices reacted after a firm start to close lower on balance, reflecting caution following the rapid recovery of the past five consecutive trading sessions. The Market Average shed 23.77 to 4,913.12, with volume at 320m. shares (270m.).

Export-orientated Electricals, Vehicles and Precision Instruments rallied initially on the dollar's recovery, but finished mixed after late liquidations. Sony lost Y20 to Y1,860, Nissan Motor Y11 to Y748, and Toyota Motor Y9 to Y846.

AUSTRALIA—Profit-taking left markets closing with an easier bias yesterday following the recent advance.

BHP reacted 8 cents to $A5.40 and CSR 5 cents to $A2.92, but Nicholas, 88 cents, and Pioneer Concrete, $A1.25, hardened 2 cents apiece. Banks were mainly lower.

Among Uranium issues, Pancontinental fell 40 cents to $A7.80, Queensland Mines 15 cents to $A1.80, and Kathleen 12 cents to $A1.42, but Peko-Wallsend improved 3 cents to $A4.75.

Indices

NEW YORK -DOW JONES

	Nov. 30	Nov. 29	Nov. 28	Nov. 25	Nov. 23	Nov. 22	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	829.70	827.27	859.57	844.42	843.50	842.62	999.75 (3/1)	800.85 (2/11)	1051.70 (11/1/73)	41.22 (2/7/32)
H'meB'nds*	92.02	92.04	92.15	92.11	91.86	91.85	95.87 (7/8)	90.69 (7/5)	—	—
Transport	214.56	214.19	217.52	218.76	218.66	217.55	246.64	199.60	279.88	13.23
Utilities	112.06	112.94	113.09	113.85	112.56	112.58	118.67	104.97	163.32	10.58
Trading vol. 000's	22,970	22,950	21,570	17,910	23,150	28,500				

* Basis of index changed from August 24.

[illegible]

N.Y.S.E. ALL COMMON

Nov. 30	Nov. 29	Nov. 28	Nov. 25	1977 High	1977 Low
52.38	52.24	53.02	53.35	57.07 (4/1)	49.78 (2/11)

Rises and Falls

	Nov. 30	Nov. 29	Nov. 28
Issues traded	1,872	1,898	1,895
Rises	727	333	573
Falls	673	1,182	891
Unchanged	472	383	429
New Highs	39	33	74
New Lows	21	13	13

MONTREAL

	Nov. 30	Nov. 29	Nov. 28	Nov. 25	1977 High	1977 Low
Industrial	166.75	165.98	166.78	166.67	186.47 (17/3)	158.02 (25/10)
Combined	174.86	174.28	174.88	174.65	187.85 (19/1)	166.60 (25/10)

TORONTO, JOHANNESBURG, overseas indices, STANDARD AND POORS: [illegible]

$ & £ decline

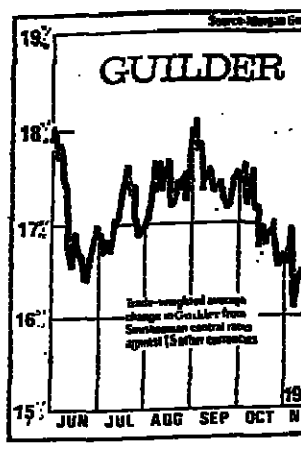
The foreign exchange market was rather quiet yesterday with the dollar and sterling losing ground against most other major currencies. The dollar's trade-weighted depreciation since the Washington Currency Agreement of December 1971, as calculated by Morgan Guaranty, widened to 2.67 per cent. from 2.45 per cent., and sterling's trade-weighted index, on Bank of England figures, fell to 63.3 from 63.5, after standing at 63.3 at noon and 63.4 in early trading.

The pound traded within a very narrow range against the dollar, opening at $1.8165-1.8175, and touching a best level of $1.8180-1.8190. It closed at $1.8170-1.8180, a rise of 5 points on the day.

The U.S. authorities probably intervened to support the dollar in late trading, following earlier intervention by the German Bundesbank and the Swiss central bank. The German D-mark touched a high point of DM2.2105 against the dollar, before closing at DM2.2130, compared with DM2.2225 on Wednesday, while the Swiss franc rose to a best level of Sw.Frs.2.1405 in terms of the dollar, and closed at Sw.Frs.2.1425, compared with Sw.Frs.2.1625 previously.

The authorities in Belgium, Denmark, and Norway probably gave support to their respective currencies to keep them within the permitted levels of the European currency snake. Trading was generally very light, however, and the amount of intervention was not heavy.

Gold closed unchanged at $159¾-160¼. The krugerrand's premium over its gold content widened to 4.45 per cent. from 4.29 per cent. for domestic delivery.



CURRENCY RATES

	Special Drawing Rights November 30	European Unit of Account November 30
Sterling	0.652011	0.644141
U.S. dollar	1.18340	1.16952
Canadian	1.31050	1.29475
Austria Sch.	18.8597	18.6195
Belgian franc	41.5433	41.0559
Danish krone	7.27495	7.19093
Deutschemark	2.63638	2.60515
Dutch Guilder	2.84844	2.81520
French franc	5.74955	5.68243
Italian lira	1038.79	1026.49
Japanese yen	290.761	286.304
Norway krone	6.39273	6.32165
Spain peseta	97.7015	96.5171
Swedish krone	5.68565	5.62025
Swiss franc	2.56159	2.53119

EXCHANGE CROSS-RATES

Dec. 1	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.2146-55	45.62-72	6.341-351	4.022-027	92.45-55	103.20-30
New York*	45.02-04	—	20.62-64	2.8630-75	1.8165-8170	41.68-70	46.32-34
Paris	218.79-9.29	4.8435-8555	—	13.854-915	8.803-823	202.39-89	225.65-6.18
Brussels	15.74-78	34.88-93	7.18-21	—	63.35-39	14.56-60	16.24-28
London	4.02-03	1.8170-80	8.803-813	63.35-45	—	4.34¼-36¼	3.89¼-90¼
Amst'dam	108.125-175	2.3927-3952	49.335-385	6.8665-8635	4.3475-352	—	111.50-55
Zurich	96.95-97.05	2.1437-47	44.27-31	6.1476-1540	—	89.65-69	—

U.S. $ in Toronto U.S. $=110.82-86 Canadian Cents.
Canadian $ in New York=90.21-23 U.S. cents.

EURO-CURRENCY INTEREST RATES*

[illegible]

GOLD MARKET

	Dec. 1	Nov. 30
Gold Bullion (a fine ounce) Close	$159¾-160¼	$159¾-[illegible]
Opening	$159¾-160¼	$159¾-[illegible]
Morning fix'g	$160.10 (£88.040)	[illegible]
Afternoon fix'g	$160.30 (£88.203)	$160.[illegible]
Gold Coins domestically Krugerrand	$166¼-168¼ (£91½-92½)	$166[illegible]
New Sov'gns	$48-50 (£26½-27½)	$48-50
Old Sov'gns	$47¼-49¼ (£26-27)	$47-49
Gold Coins (internat'lly) Krugerrand	$166-167 (£90¾-91¼)	$164[illegible]
N'w Sov'gns	$48-50 (£26½-27½)	$48-50
O'd Sov'gns	$47¼-49¼ (£26-27)	$47-49
$20 Eagles	$247¼-250¼	$246-[illegible]

FOREIGN EXCHANGES

Dec. 1	Bank Rates %	Day's Spread	Close
New York	6	1.8160-1.8190	1.8170-[illegible]
Montreal	7½	2.0115-2.0155	2.01[illegible]
Amsterdam	4½	4.34-4.37½	4.34[illegible]
Brussels	6	63.30-63.70	[illegible]
Copenhagen	9	11.13¼-11.17	11.1[illegible]
Frankfurt	3½	4.01½-4.03	4.0[illegible]
Lisbon	13	73.75-74.10	73.[illegible]
Madrid	8	149.60-149.90	149.[illegible]
Milan	11½	1,585-1,586	1,58[illegible]
Oslo	6	9.76-9.88	9.7[illegible]
Paris	9½	8.80-8.85	8.8[illegible]
Stockholm	8	8.71½-8.74	8.7[illegible]
Tokyo	4¼	440-448	44[illegible]
Vienna	5½	28.70-28.90	28.[illegible]
Zurich	1½	3.83-3.84	3.8[illegible]

‡ Rates given are for convertible francs. [illegible] 63.35-63.55.

OTHER MARKETS

			Notes Rate
Argentina	1013.6-1015.9	Argentina	[illegible]
Australia	1.6041-1.6202	Austria	[illegible]
Brazil	28.04-28.24	Belgium	[illegible]
Finland	7.61-7.65	Brazil	[illegible]
Greece	64.819-66.433	Canada	[illegible]
Hong K'ng	8.45½-8.47½	Denmark	[illegible]
Iran	123-133	France	[illegible]
Kuwait	0.508-0.518	Germany	[illegible]
Luxemb'g	63.35-63.45	Greece	[illegible]
Malaysia	4.5200-4.5550	Italy	[illegible]
N. Zealand	1.8157-1.8540	Japan	[illegible]
Saudi Arab	6.39-6.40	Netherl'nd	[illegible]
Singapore	4.3050-4.3200	Norway	[illegible]
S. Africa	1.5579-1.5691	Portugal	[illegible]
U.S.		Spain	[illegible]
Canada		Switz'land	[illegible]
GSI		U.S.	1.81-[illegible]
U.S. cents	90.18-90.21	Yugoslavia	[illegible]

Rate given for Argentina free rate.

FORWARD RATES

	One month	Three months
New York	par-0.10 c. dis	0.13-0.03 [illegible]
Montreal	0.10-0.20 c. dis	0.07-0.17 [illegible]
Amst'dam	¼ c. pm-¼ c. dis	1½-½ c. pm
Brussels	5 c. pm-5 c. dis	5 c. pm-5 [illegible]
Cop'nhgn.	10-12 ore dis	25¼-27¼ ore dis
Frankfurt	1¼-¼ pf. pm.	3⅝-2⅝ pf. pm
Lisbon	8-20 c. dis	[illegible]
Madrid	105-190 c. dis	400-480 c. dis
Milan	9-14 lire dis	28-33 lire dis
Oslo	15½-17½ ore dis	25-27 ore dis
Paris	4½-5¾ c. dis	13-14 c. dis
Stockh'lm	6-8 ore dis	14½-16½ ore dis
Vienna	0.05-0.20 gro dis	24-44 gro dis
Zurich	1⅛-½ c. pm	4⅞-3⅞ c. pm

Six-month forward dollar 0.32-0.[illegible] 12-month 1.25-1.15c pm.

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £—67% (93%)

NEW YORK

[illegible]

CANADA

[illegible]

GERMANY

[illegible]

TOKYO

[illegible]

Source Nikko Securities, Tokyo.

AUSTRALIA

[illegible]

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

PARIS

[illegible]

SWITZERLAND

[illegible]

COPENHAGEN

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

VIENNA

[illegible]

BRAZIL

Dec. 1	Price Cruz	+ or −
Acesita	1.17	−0.03
Banco Brazil BP.	3.70	−0.05
Belgo Mineira OP	1.70	−0.05
[illegible]		

OSLO

[illegible]

JOHANNESBURG

[illegible]

Securities Rand Discount [illegible]

SPAIN

[illegible]

FARMING AND RAW MATERIALS

...ggs dearer ...nd bacon ...dges up

Our Commodities Staff

...S WILL be up to 5p a dozen ...er in the shops next week ...wing wholesale price rises ...ounced by major suppliers ...rday. The Goldenlay marketing consortium said the first ... grades, which include the ... standard and large sizes, ... be 4p more expensive. ...e five will cost 6p more, ... six 3p more and grade ... 2p more.

...e egg market is normally ... firm at this time of year ... Goldenlay pointed out that ...latest rises only bring prices ... to the level ruling last ...ember.

...C, Britain's biggest bacon ...r, announced yesterday that ...as raising its first-hand price ...£10 to £1,010 a tonne, the ...e level as Danish, which is ...anged this week. Irish and ...er bacon remain at £1,000 a ...

...e rise is not likely to make ... significant difference to ...n prices. A rise of £10 a ... is equivalent to only 1p ... over a whole side. ... leading bacon merchant ... yesterday that the rise ...eared to be justified in view ... the shortage of pigs in the ...

...Brazil coffee ...rice cut ...xpected

RIO DE JANEIRO, Dec. 1.

...AZIL IS expected to cut its ...ial external price for coffee ...31 to $3.20 a pound in the ... future. This would bring ...price more in line with market ...levels.

...cal trade sources said they ...ot necessarily expecting any ...es this week-end, however. ... believe the most likely ...n will be for the Brazilian ...e Institute (IBC) to open ...ary and February shipment ...trations shortly at around ... to allow Brazil to start selling again without offering a size... rebate to importers.

...ut in the minimum registration price would not necessarily ... Brazilian coffee would be ...cheaper than it has been for ...last two months. Such a ... would merely reduce or ...ve the artificial aid in the ... of a rebate Brazil has had ...se recently to sell its coffee. ...e sources said they think ... new level will depend largely ...he recent discussions with ...mbia.

Farm support costs rise as dairy glut grows

BY MARGARET VAN HATTEM

BRUSSELS, Dec. 1.

INCREASING overproduction and a rise in world prices for dairy products took the cost of supporting the EEC's guaranteed price for milk to a record 2bn. Units of Account last year.

Milk price support remained by far the biggest ite min the budget of the Common Market's farm fund (FEOGA), according to its annual report for 1976, published to-day. It represented 36.8 per cent. of the total budget, compared with 11.5 per cent. or 643.2m. Units of Account for beef, the second largest sector. Cereals, the third most expensive, took up about 11 per cent. or 636.8m.

The total cost of EEC price support continued to rise, reaching a record 5.57bn.ua of which 25 per cent. went to France, 20 per cent. to Italy, 15 oer cent. to West Germany and 12 per cent. each to the Netherlands and Britain.

Abuse of the system also appears to be increasing. Most frauds, the report says, took place in the beef and cereals markets and notably in relation to Monetary Compensatory Amounts.

Last year 258 such abuses were discovered, representing 5.6m.ua., of which only 1.7m. has been recovered.

This compares with a total 311 detected cases in the preceding five years, representing 18.2m. units of account.

Our Commodities staff adds: In Paris, M. Pierre Mehaignerie, French Minister of Agriculture, announced that his Government would be applying for a devaluation of the "green franc" with the object of reducing the monetary compensatory amount (MCA) levies on French food exports by 2.5 per cent.

Significantly, the Minister said that the formal request for a devaluation would come from M. Raymond Barre, the Prime Minister, at the Common Market summit meeting in Brussels.

M. Mehaignerie told journalists after a meeting with farming orgainsations that M. Barre would be pressing for the progressive dismantling of the Community's system of MCAs, the export taxes and import subsidies which are meant to balance out the differences in currency values between the Nine.

This tallies with Commission plans for a similar campaign, and seems likely to increase the pressure on Mr. John Silkin, Britain's Agriculture Minister, who steadfastly refuses to accept any formalised programme for MCA changes and "green" currency changes.

The proposed 2.5 per cent. reduction, which should come into force on February 1 next year, would increase French farmers' guaranteed prices and imported food prices by about the same amount. But it seems unlikely to appease French traders and farmers.

But since the "green franc" is currently over-valued in relation to the franc proper by 15 per cent., such a rapid move would have a disastrous impact on mounting French food prices.

This approach is particularly significant because a simple "green franc" devaluation and MCA reduction can be carried through at a routine meeting of officials in Brussels.

That the Prime Minister himself should raise the issue at a meeting of the heads of Government suggests that Paris is preparing some fresh political initiative to help drag the Common Agricultural Policy out of the doldrums.

Britain's Minister of Agriculture, and even Mr. Callaghan himself, seem likely to face fresh demands for concessions on the British "green pound"—currently over-valued by 30 per cent., and still costing the EEC more than £1m. a day in U.K. food import subsidies.

Chance to expand fish canning

BY CHRISTOPHER PARKES

THE TIME is ripe for Britain to expand further into the fish canning industry, and snatch many millions of pounds' worth of business away from overseas competitors, food processors were told yesterday.

EEC import tariffs are now around 25 per cent. on most canned fish from non-Community countries, according to the Metal Box Company, a leading supplier of tins for foodstuffs. Freight costs have increased, and shortages of raw materials in some main supplying countries have forced up prices.

Mr. Michael Keating, announcing the opening of the Canned Food Advisory Service—an information bureau to promote the use of tinned foods—said in London yesterday that last year British shops sold 350m. cans of fish—80 per cent. of them imported. And he forecast sales would reach 400m. by 1979.

He claimed that if the challenge were taken up, British canners could quickly make the country about 60 per cent. self-sufficient in canned fish.

He said pilchard canning could expand to take over the market which is at present largely filled by the South Africans. The Africans were having trouble finding the fish off their coasts this year, but there were ample stocks off Cornwall, enough to fill some 90m. cans a year, he said.

Although tuna were virtually unknown in British waters, estimated demand for about 55m. cans a year by 1979 could be filled by a British industry importing frozen fish from all over the world.

Japan, the main supplier at the moment, was finding itself short of tuna stocks ecause of over-fishing, Mr. Keating noted.

Demand for a similar quantity of sardines could also be met from species found in British territorial waters. Although under British law sardines are defined as "young pilchards," the myriad shoals of sprats in U.K. waters could make an acceptable substitute.

Canned mackerel, too, mostly imported from Japan at present, could easily be provided by the home-based industry. Consumption is expected to grow soon to 25m. cans a year.

● In Birmingham yesterday the Government was urged to take the law into its own hands to protect Britain's depleted fisheries.

The Herring Industry Board wants the Government to be ready to assume sovereign rights on fishing up to 200 miles from the coast and enforce a new unilateral management policy.

It says British vessels barred from foreign waters should be licensed to catch enough fish to keep the U.K. industry alive, and a proportion should be allocated to the country's Common Market partners.

EEC blow for wine producers

By Our Own Correspondent

BRUSSELS, Dec. 1.

THE European Commission struck a blow at connoisseurs of British and Irish fortified wines who will, from next year, have to pay more for their favourite tipple.

Up to now, British and Irish wine-makers have enjoyed exemption from an EEC ruling setting a minimum price for grape juice and must imported from non-EEC countries, and have taken advantage of cheap supplies from Cyprus, Greece and Spain.

But, under pressure from the Community's major wine-producing members, the Commission has decided not to renew this exemption when it expires on December 31 this year. This means that juice and must from these countries will be subject to a levy bringing them up to the minimum EEC price.

Since this levy will represent only 3 to 4 per cent. of the total cost of the end-product, compared with excise taxes of up to 60 per cent. (excluding VAT), the Commission maintains that it will not really harm the British and Irish industries.

But it could have more serious implications for the non-EEC Mediterranean vineyards, particularly those of Cyprus, which has no plans to join the EEC and which therefore has no prospect of protection under the Community's price support system.

Cyclone hits Indian tobacco

By K. K. Sharma

NEW DELHI, Dec. 1.

INDIA'S TOBACCO crop has been severely damaged by the recent cyclone in Andhra State and the estimated loss of standing Virginia is put at Rs.120m. (about £7.5m.). The Tobacco Board has decided to seek Indian Government assistance to enable growers in the tobacco district of Guntur to replant the entire affected area which is faced with a salinity problem.

The Tobacco Board says that unless replanting is done within the next fortnight, this year's yield will be less than 50 per cent. that of last year.

Cyclonic weather in cotton-growing areas of Maharashtra State has also affected crop prospects and estimates are that production this year will be around 6.7m. bales of 170 kilos in place of the 7m. bales hoped for.

BEEF PRODUCTION

Always one loser in the chain

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

PRODUCTION of beef and veal brings in about a sixth of the cash return to British farming. Even so it is doubtful if more than a handful of the farmers who attend the Smithfield Show, opening at Earls Court next week, will spare more than a cursory glance for the animals which are the excuse for the occasion.

This is partly because the cattle at the show have been so pampered and over-fed in preparation for the event that the economics of their production is a nonsense. Also, there is a feeling among many farmers that important though beef is to the farming economy in overall terms, specialist beef production is for most an expensive, and often loss-making operation. It is in many cases a gamble with most of the cards stacked against the farmer.

The primary reason for this is that the beef animal is the least efficient converter of farm resources—of grass fodder, crops, or grain—into meat. I found early in my farming career that my first employer, who fattened about 300 animals every summer, lost on them. While the sheep, which he used to run to mop up the surplus grass, always showed a margin. So I kept sheep instead of beef cattle.

In terms of grain feeding the comparison between the bovine animal and the pig and the chicken is even more marked. It takes at least double the amount of grain to produce 1lb of beef compared with 1lb of pork, and in carcase meat terms, the consumer will not pay the extra cost of production.

Cheap cereals

The reason beef production with mature animals became so popular here, is that compared with the rest of Europe, land and cereal inputs were cheap for many years. Farmers, generally speaking, had other lines of production which paid the rent.

In Europe, by constrast, a very small proportion of the beef produced comes from mature animals reared specifically for the purpose. Most beef is from veal, from young bulls and cows that have fulfilled their working lives as milkers.

This is because the cost of land and other resources has always been much higher than in Britain. The real hey-day of British beef production was in the 19th century, when cattle were used as a source of fertility, being kept in yards in the arable areas and fed on roots and straw to make dung to grow crops. Once inorganic fertiliseres were developed, the fertility significance of beef production was no longer an excuse, and it is probable that many farmers who still yard cattle do so because they like them.

The other traditional method of beef husbandry is grazing. There are areas of the U.K. where the grassland is of such excellent strength that it will for a few short weeks in the early summer, put flesh on mature animals at a tremendous rate. Now, much of this land, in the Midlands and elsewhere, has been ploughed up and cropped or turned to dairying. But there are still a few places where the old methods persist, often on farms where historic costs are low.

This type of farming depends on buying well-grown store cattle in the late winter. These will have been reared, perhaps in the hill areas, sold as calves to other farmers and then sold again for fattening. Most will have thus passed through three hands. It always used to be said that some-one in this chain of production always loses money, either the breeder, the rearer, or the fattener. This I am sure is still the case to-day.

Farmers involved in this trade have to be experts. The difference between profit and loss is so narrow that it all depends on skill in buying and selling. A good dealer is most likely to succeed.

It is also essential to be an optimist. Each step in the chain of breeding, rearing, and fattening takes about a year, so all your costs are incurred before the final price is known. This accounts for the present discontent among beef farmers. Last autumn and this spring they bought their store cattle at very high prices. To-day's price for slaughter cattle on the market is about 10 per cent. down on what it was last year. This is not quite as bad as it sounds, because the Government's slaughter premium is making up the total returns.

Intervention

Farmers are angry because they see that Irish cattle and Irish beef are on the market and these imports are helped by the MCA system which provides sizeable subsidies on these imports. Hence the weak markets.

There are demands for the "green pound" to be devalued, which would reduce the MCAs on imports. There is even talk of blockading the ports against Irish cattle. I don't think that either course will make much difference because the evidence is that the consumer is resisting the higher prices.

Although live cattle and wholesale prices are down, retail prices, according to the Meat and Livestock Commission, have not followed the market down as yet in the same proportion.

In spite of this discouragement, the prices of rearing calves and store cattle are rather higher than they were at the same time last year, and undoubtedly if trade for finished cattle is no better next year complaints will be even louder.

But farmers are not the only ones who pay. The slaughter premium, 25 per cent. paid by the EEC, is costing the Government more than £1m. a week and the intervention stores are beginning to amass considerable quantities.

Weak market

LONDON traders say they do not expect any changes in meat prices over the next week. Butchers have been buying less beef at Smithfield and other markets, reflecting the consumers' continuing reluctance to spend.

Merchants have been surprised by the recent cold spell's failure to arouse shoppers' interest in forequarter meat for stews and braising.

British lamb prices have slipped a little to make this meat more competitive with New Zealand supplies, but this change at the wholesale end is not yet enough to make much impact in the shops.

Demand for pork is pushing up prices, and the fresh turkey market shows signs of hardening as Christmas approaches. Wholesale prices for most size birds have gone up 2p a lb.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

[illegible]

COMPANY NOTICES

SILVER

[illegible]

COCOA

[illegible]

VEGETABLE OILS

[illegible]

COFFEE

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

GRAINS

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

JUTE

[illegible]

MEAT/VEGETABLES

[illegible]

PRICE CHANGES

Prices per tonne unless otherwise stated.

[illegible]

FINANCIAL TIMES

Nov. 30	Nov. 29	Month ago	Year ago
238.34	239.60	237.41	243.67

(Base: July 1, 1952=100)

REUTER'S

Dec. 1	Nov. 30	Month ago	Year ago
1493.7	1490.5	1468.6	1533.1

(Base: September 18, 1931=100)

DOW JONES

[illegible]

MOODY'S

[illegible]

U.S. Markets

NEW YORK, Nov. 30.

[illegible]

Malaysian land sharing plan

By Wong Sulong

KUALA LUMPUR, Dec. 1.

THE GOVERNMENT in the timber-rich East Malaysian State of Sabah has announced a new land policy which would allow the Malays and other indigenous people to own plantations without having to invest a cent.

Under the new policy, more than 200,000 hectares would be given out to non-indigenous Malaysians and foreign companies for agricultural development.

However, they must hand over 49 per cent. of the plantations to indigenous people of the State once they have recovered their investments from the land.

Datuk Harris Salleh, Sabah's Chief Minister, said the new policy was adopted because the State government realised that the people of Sabah did not have the experience or capital to go into large-scale plantation farming.

Ault & Wiborg director killed

MR. STUART MARSH, who was recently appointed Industrial Director of Ault and Wiborg, has died in a car accident. Mr. Marsh, a Cambridge graduate, had been with Lorilleux and Bolton and subsequently was Group Technical Director of the Lorilleux Group in Puteaux, France. He leaves a widow and three children.

NORTH SEA OIL REVIEW BY RAY DAFTER

A new light on depletion controls

THE NEWLY estimated costs for British Petroleum's Magnus Field development programme gives some indication of the way inflation has hit offshore operators. Without the big rise of crude oil prices during the past few years many of the North Sea reservoirs now under evaluation would never have had a commercial chance.

Magnus is a case in point. Dr. Jack Birks, technical director of BP Trading, hinted in a roundabout way earlier this week that bringing it on stream would cost around £1bn. That is some £100m. more than the most recent estimate of the Forties Field development cost, and around three times the original cost of Forties as forecast in 1971.

As producing prospects, the two reservoirs are not in the same league. Forties is a 1.8bn. barrel field where four platforms will shortly yield oil at a peak rate of 500,000 barrels a day. Magnus, on the other hand, is thought to contain around 400m. barrels of recoverable reserves; in the eyes of many offshore companies that would put the deep-water field in the economically marginal category. Its single platform is expected to produce oil at a peak rate of 100,000 to 130,000 barrels a day.

Offset costs

Looked at in isolation and judged by this set of figures Magnus will never be a highly profitable field—far from it. However, BP is close to confirming that development is worth while. It is unlikely that the company will have to pay much Petroleum Revenue Tax on the field's output, and there is the further consideration that the development costs can be offset against the abundant revenues from Forties.

Magnus is the most northerly oil field discovery in the U.K. sector of the North Sea. It lies in block 211/12 under more than 600 feet of water. That partly accounts for the high development costs, since the production platform will have to be particularly large. BP was considering new production techniques, such as a tethered leg floating platform (which is tethered to a base on the sea bed), but it has now reverted to evaluating conventional steel or concrete platforms planted firmly in the seabed. BP prefers steel, but it will be used only if the oil can be fed into a pipeline, or if the structure can be linked to a separate storage and tanker loading facility. If offshore loading were to be adopted, then BP would probably choose a concrete platform with large storage tanks in the base.

There is spare pipeline capacity in that northern sector of the North Sea which could be made available to Magnus: probably not in the Brent system which is now virtually fully committed, but in BP's Ninian pipeline further south. BP would have to build a spur line, possibly 65 miles or so long, to connect Magnus with the Ninian system.

This raises an intriguing prospect. The shortest route to the Ninian trunk line would take the Magnus spur past Shell/Esso's Cormorant platform—the hub of the Brent pipeline system. The point has been made in the offshore industry that if BP were to build a link between the Magnus spur and the Brent pipeline two benefits would immediately accrue.

First, it would provide a safety backup for oil companies and the country should an accident or act of sabotage damage the Brent line. This pipeline is designed to carry up to 1m. barrels of oil a day between a number of northerly fields and the Shetland Islands. If it were cut about half of daily British oil requirement could be lost, pending other contingency arrangements.

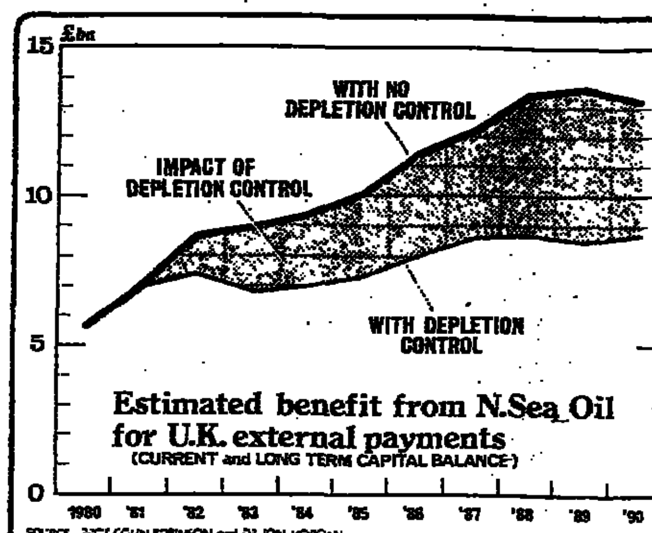
Secondly, a Magnus-Brent-Ninian link would provide additional distribution flexibility at a time when the development of several other oil fields in that area is being considered. The Amoco group, for instance, is expected to decide early in the New Year whether or not to proceed with the exploitation of the North West Hutton find on block 211/27. Amoco has retained the right to a stake in the Brent pipeline system for its expected output of around 80,000 b/d. It is quite possible that the reserves—thought to be in the 250m. to 300m. barrels range—will be exploited either from a small steel platform or a floating unit.

What is more certain is that if Amoco decides to go ahead with development, it will change the field's name. North West Hutton is no more than a geographical location. The reserves happen to lie north-west of the quite separate Hutton field shared by the Amoco group and the consortium comprising Continental Oil, British National Oil Corporation, and Gulf. Conoco, as operator for the Hutton development, is likely to take a decision to proceed with development in the first half of 1978.

Hutton is also believed to have reserves in the 250m. to 300m. barrels range although here we know more about the producing prospects—thanks to Lord Kearton, chairman and chief executive of BNOC. After the corporation's monthly Board meeting on Friday he obligingly released a number of details which had hitherto been regarded as commercial secrets. Flows of 60,000 to 70,000 barrels a day would be reached in the first stage of development, he said. Preliminary assessments indicated a peak production rate of 120,000 b/d in the later stage.

The first stage production will be achieved through a converted semi-submersible rig, in the same way as the Argyll Field is now being exploited. British Petroleum is planning to carry out a similar operation on Buchan although it has still not received full Government approval. The use of a rig will not only allow the Hutton partners to raise oil and generate cash flow much sooner than with a fixed production system; it will also enable the companies to evaluate more fully the complex geological structure.

Plans to be discussed with the Energy Department this month include second stage development by means of a tethered-leg platform, a new system yet to be tried in the North Sea. Conoco and its partners believe that such a system would enable the reserves to be exploited more economically than with a big fixed structure. Furthermore, if the early production from the semi-submersible rig is disappointing then the companies might be able to divert the tethered leg platform to another prospect offshore.



Estimated benefit from N.Sea Oil for U.K. external payments (CURRENT and LONG TERM CAPITAL BALANCE)

SOURCE: PROF COLIN ROBINSON and DR JON MORGAN

The early revelation by Lord Kearton of such information may be welcomed by journalists. It may also fit in with Mr. Anthony Wedgwood Benn's idea of open Government. But it has raised some eyebrows within the offshore industry.

Information of this type is usually released by the operating company—in this case Conoco. Lord Kearton's announcement has raised new questions among offshore operators. In particular, they ask whether BNOC will follow the example of Statoil in Norway and act as spokesman for the offshore operating committees. If such were to be the case, and it is too early to judge, then it will be a new aspect of the Corporation's growing influence.

The experience of companies negotiating fifth round licence agreements has created a new wave of concern about BNOC's growing role within the offshore industry. Asked why it had taken the best part of a year to conclude the first batch of agreements, a leading oil industry executive blamed "bureaucratic incompetence." That is probably putting it too strongly—an over-reaction to BNOC's new objectives for North Sea participation.

However, the fifth round negotiations have been protracted and tortuous. They have not been helped by the workload placed on the shoulders of the Corporation staff and by the conservatism of the oil industry.

Companies have found it difficult to accept many of the fifth round terms. They have been worried about BNOC's dual role as Government regulatory advisers and commercial operator. They have been concerned that BNOC will use information gained from its participation role to seek and obtain licences of its own. For instance, the Corporation is understood to be anxious to be granted a number of exclusive exploration blocks around the Beatrice Field in the Moray Firth.

On top of this, offshore operators feel that with so much on its plate, BNOC will not be able to cope speedily with all its scrutineering roles and decision-taking. BNOC's evaluation of Chevron's proposed involvement in two Siebens Group oil discoveries may well be the reason why this farm-in deal has been delayed.

Shell, Esso and British Petroleum have learned the wisdom of pacing their development programmes. At times even some of the major oil groups have appeared to be over-extended. Conflicts could well arise in the 1980s when oil companies, wanting to exploit new reservoirs, find BNOC reluctant to commit itself to additional work and capital expenditure.

Looked at from a different angle this reluctance may be one way of achieving depletion controls for North Sea oil—a matter which was given a considerable airing at this week's meeting of the Energy Commission. Mr. Wedgwood Benn, the Energy Secretary, said after the meeting it was important for any depletion policy to be "flexible."

However, on the other hand, a study carried out at Surrey University, Guildford, has raised doubts about any Government imposing strict depletion policies. Prof. Colin Robinson and Dr. Jon Morgan (now with BNOC) argue in a book to be published next year* that depletion controls would simply mean one Government passing on balance of payments benefits to a following Government—an administration which might well be of a different hue.

Start-up delay

They have taken the depletion guidelines that now exist. They have assumed that output from fields now under development will be reduced by 20 per cent. from 1982 and that production from potentially commercial fields will be restricted by one-fifth from 1982 or four years after the start of production, whichever is later. Furthermore they have reckoned on the basis that with new discoveries, the production start-up will be delayed by one year and that peak output will be held back for a further year.

On those assumptions the two economists conclude that by the late 1980s strict depletion controls could cut the benefits of the North Sea production to the U.K. balance of payments by as much as £5bn. a year. If companies were allowed to develop reserves unhindered then the benefit in 1989 could be around £13.6bn. Depletion controls would reduce the benefit in that year to around £8.5bn. What politician would think of postponing such an economic bonus for the benefit of his successor, Prof. Robinson asked at a recent conference of fuel buyers. It is a question not yet answered by the Government.

*North Sea Oil in The Future, by Prof. Colin Robinson and Dr. Jon Morgan, to be published by Macmillan for the Trade Policy Research Centre next year.

APPOINTMENTS

Sir Hermann Bondi to chair Offshore Energy Board

Professor Sir Hermann Bondi, chief scientist, Department of Energy, is to chair the Department's OFFSHORE ENERGY TECHNOLOGY BOARD. He will assume the chairmanship at the Board's next meeting on December 7.

★

AVELING MARSHALL, one of the five companies in the construction equipment division of the Leyland Special Products group, has announced the appointment of two additional Board members. Mr. Anthony Jordan, who recently joined the company from the Molins Group, becomes manufacturing director. He succeeds Mr. Ian McKinnon, who was recently appointed managing director of Aveling Marshall. Mr. John Seaborne, formerly parts manager at Aveling Marshall, is made commercial director, and in addition to his parts responsibilities will also assume control of the company's U.K. agricultural sales and service operations.

★

Mr. Alexander Orlow has been appointed a director of ALFRED DUNHILL.

★

Mr. Kenneth Chandler has been appointed to the Board of DENIS FERRANTI METERS.

★

Mr. Arnold S. Paterson has been promoted to director, sales, BRITISH TIMKEN. Mr. Brian R. E. Farey becomes manager, domestic sales.

★

Sir Nigel Strutt, chairman and managing director, Strutt and Parker (Farms) has been appointed agricultural consultant to the PROPERTY UNIT TRUSTS GROUP.

★

The last two appointments to the central team being created to assist Mr. R. E. Butler, chief executive of the six nationalised shiprepair yards on the Tyne owned by BRITISH SHIPBUILDERS, have been announced. Mr. Robert Jenkins relinquishes his post as general manager of Middle Docks and Engineering Company to take responsibility for production co-ordination between all six yards. Mr. Joe Hall, yard manager of Middle Docks and Engineering, becomes general manager in his place. Mr. Michael Pyman, marketing director of North East Coast Shiprepairers, becomes responsible for marketing for the whole group.

★

Sir Ian McLennan has retired as chairman of directors of the BROKEN HILL PROPRIETARY COMPANY. Sir Ian has also relinquished his executive appointment as director of administration and has accordingly retired as a director of the company. As already announced, Mr. J. C. McNeill, previously managing director, has now assumed the executive appointment of director of administration and has also become chairman of directors. Mr. B. T. Loton is now chief general manager of the company and Mr. W. B. Burgess is executive general manager, steel division. Mr. Burgess also becomes a member of the executive committee.

★

Mr. Michael Murray, managing director of Rest Assured, has been elected chairman of WILLIAM LAWRENCE AND COMPANY. The retiring chairman, Mr. Peskin, will continue to serve as a specialist adviser. This change follows the acquisition of William Lawrence by Thomas Tilling, the parent company of Rest Assured.

★

Mr. P. J. Rudland has been made director of property development for the CHEF AND BREWER GROUP and continues on the Board of Falcon Catering Enterprises, a subsidiary company. Mr. J. M. Saunders has been appointed director of catering for the group and joins the Board of Falcon Catering Enterprises.

★

Mr. J. Jeremy McK. Potter, assistant director of J. Henry Schroder Wagg and Company, has been appointed a non-executive director of ASH AND LACY.

★

Mr. W. F. G. Lord has been appointed Scottish representative for KLEINWORT BENSON, and will be based in Edinburgh.

★

Mr. Wateyn Lewis has joined the Board of P. W. KININMONTH, holding company of the Kininmonth insurance group. Mr. Lewis will also become managing director of Kininmonth Lewis. Mr. Michael Davis has been appointed to the Board of Kininmonth North America.

★

Mr. David Bradford, who has been appointed marketing director of AIRFIX PRODUCTS, was previously with United Biscuits where he was marketing controller for the international division.

★

Mr. Guy Talbot, general manager of the printing, photographic and static control systems division, has been appointed director of 3M UNITED KINGDOM.

★

Mr. P. Chilton has been appointed a director of SPIERS DRAKE (UNDERWRITING).

★

Mr. Nicholas J. Cush has been appointed to the Board of Charterhouse Japhet, part of CHARTERHOUSE GROUP.

FINANCIAL TIMES SURVEY

Friday December 2 1977

Italian Banking and Finance

Italy's financial sector has weathered the recession better than most, having benefited from high interest rates. Some authoritative voices are now urging that bank loans to industry should be converted into equity stakes.

…Central …o the …ation's …ecovery

…Dominick J. Coyle

ITALY, as elsewhere, bank… is really as nothing if …ved in isolation from the …nomy of the country as a …le or without reference to … political climate in which banks have to operate. After the so-called "Italian risk," …h has seemingly pre…pied the international bank… community in recent years, …ough arguably somewhat … so in the past few months, …s essentially from political … economic considerations, not from any major defects …he Italian banking system … such. Hence, it is both …opriate and logical that … review should open with … degree of political …ysis, and also some …nination of the economic …cies at present being …nced.

…his qualification is indeed …ibly all the more needful … the case of Italy, since roughly two-thirds of the banking system, is controlled, directly or otherwise, by the State itself, while the accumulated debts of just one State sector company — albeit the giant conglomerate holding group, Istituto per la Ricostruzione Industriale (IRI)—are equal to about 15 per cent. of all deposits in Italian banks.

It is also germane to recall, in view of some current proposals for tackling the high level of indebtedness of most Italian companies, that IRI itself was established in the 1930s, in part at least as a move to prevent many of the banks themselves from collapsing under the weight of their useless equity holdings in mainly industrial companies hit by the depression. It is salutary to reflect on the fact that IRI, which controls four of Italy's major banks, itself had overall operating losses last year of L445bn., easily exceeding the combined, if still considerable, 1976 profits of all Italian banks.

But to revert to the celebrated "Italian risk." It is essentially political, and it was seen to be at its height in the run-up to the general election last year when, it was feared, the advancing Communist Party (PCI) might overtake the long-ruling Christian Democrats (DC) and infuse itself somehow into the government. This prospect, coupled admittedly with another cyclical deterioration in the Italian balance of payments, brought such pressure — much of it simple speculative—on the lira and on the country's limited foreign exchange reserves that the authorities were obliged to close down temporarily the foreign exchange market. In just five months in the first half of 1976, the lira rate against the dollar plummetted from 685 to a low point in May of 915—and with the premature general election still to come!

In the event, the PCI did not overtake the Christian Democrats, although it did close the gap considerably, and Sig. Giulio Andreotti, one of the DC's most experienced political tacticians, heads the present minority administration, Italy's 39th government since the war. But the Christian Democrats are now in office only because the Communists want it that way, or at least are prepared to tolerate it. They and four other parties notionally in opposition have come together with the DC in an arrangement which in practice means that Sig. Andreotti must first secure broad all-party agreement on every significant piece of proposed legislation before bringing the measure before Parliament.

Compromise

The result is of course almost continuous compromise, yet ironically it has thus far anyway brought a degree of stability to the Italian political scene. Legislation which is finally enacted does now represent a wider degree of (at least political) consensus than anything which the DC could do on its own. And for the present anyway there is no real alternative, for what the last general election produced was virtually a complete stalemate, with no single party, or generally acceptable coalition of parties, having a working parliamentary majority.

True, it is not quite what international bankers generally have in mind when they talk about political stability, and Italy's external indebtedness has risen from around $7bn. over four years ago to approaching $20bn. to-day, including the recent sharp increase in the Italian banking system. Sig. Andreotti himself cautioned last weekend that Italy had an overriding need to maintain credibility with the international financial community, adding by way of immediate emphasis that close on $5bn. of foreign debts would have to be repaid—or rolled over—next year.

Yet many international bankers, and also a number of foreign governments, have lately been saying some rather complimentary things about the present Italian government's economic policies, including a sizeable dose of austerity measures this year (and perhaps with more to come), and a senior executive of one major American bank actually announced at a Press conference in Rome some weeks ago that he considered there was no longer an "Italian risk."

Many independent observers in Italy would argue that the risk had been somewhat exaggerated initially in any event, just as they consider that Sig. Andreotti's economic medicine, commendable and necessary though it certainly was, has not yet got the country out of the wood, and that the real crunch has still to come. The battle against inflation (Italy is still in high double figures) certainly has still to be won, and the fight is not being helped by the Government's excessive recourse to deficit financing.

The Andreotti treatment, while impressive in its range, was in large measure an immediate tourniquet to arrest the heavy outflow of lire at almost any price. Import deposits, a special foreign currency surcharge and interest rates pushed to historic highs were all thrown into the fight, and the new Government then moved on to increase taxes and adjust the price of a range of public utility services with the combined purpose of reducing disposable incomes and cutting back on an escalating public sector deficit.

The Government's determination—although in essence there was little real alternative—was reinforced by the International Monetary Fund (IMF) to which Italy had recourse for a further drawing last April, although admittedly of the relatively small sum of $530m. IMF approval of the Government's policies was, however, of much greater importance than the facility itself. What Italy clearly wanted was a kind of certificate of good national housekeeping from the Fund, and with it a testimonial that the "Italian risk," if not wholly eliminated, was at very least reduced.

The Italian letter of intent earlier this year contained the more or less standard (in such circumstances) IMF formula of quantitative upper ceilings on total Government spending, on the size of the 1977 and 1978 public sector deficits and on total credit expansion. The Italian Government undertook to get the inflation rate down to 13 per cent. in the year to March 15 next and into single figures by the end of 1978.

Meanwhile some small but potentially significant adjustment had been agreed with the trade unions to the highly inflationary system of wage indexation, while the Treasury agreed to hold down industrial costs artificially (in the interest of maintaining export competitiveness) through a system of meeting from central funds part of the cost of employer social welfare contributions.

Taken as a package it is impressive, but already there are signs that the undertakings to the IMF, particularly on the extent of the public sector deficit next year, will not be honoured, while the inevitable cutback in growth, for which the Andreotti austerity package was largely designed, risks creating serious social stresses in a country already suffering a 7 per cent. unemployment rate —and more than 10 per cent. in the depressed southern regions. The central bank, meanwhile, has more than replenished its depleted reserves, but this too is somewhat cosmetic, given the sharply higher foreign indebtedness of the banking system, which currently stands at more than $6.5bn., or almost double the level at the end of last year.

In these very days the Government is in dialogue with the main opposition parties supporting the administration on what must inevitably be a further round of price rises and some taxation increases in an attempt to hold next year's deficit to a level which, however reluctantly, the IMF will accept. Conversely, the main employer organisation, Confindustria, has joined with the country's three big trade union confederations in demanding a 1978 growth rate considerably in excess of the maximum 3 per cent. which the Government accepts reluctantly as being the highest possible if there is not to be a renewed balance of payments crisis and a further run on the lira.

Dependence

This is really the crux of the Italian problem. The economy has an exceptional dependence on world trade, with exports and imports now representing more than half of total GDP, against only about 30 per cent. some 15 years ago. About 60 per cent. of total Italian imports are made up of raw materials, semi-finished products, and the four-fifths of its total energy needs which Italy is obliged to import. Import demand is thus highly responsive to the level of industrial output, with price being a relatively minor factor.

Hence the "stop-go" economic policy is almost on classical lines, with each upswing in the business cycle inevitably bringing on a payment crisis and fresh pressure on the lira. Constant repetition of the cycle, at least so far, has done nothing except to shorten the boom periods and extend the subsequent recessions. Italy is now facing one such recession!

How does the Italian banking system fit into this depressing

CONTINUED ON NEXT PAGE

SALIENT BANK FIGURES

	1970	1971	1972	1973	1974	1975	1976
Net profits (Lbn.)	851.1	109.3	122.3	136.6	171.4	213.7	293.7
Total deposits (Lbn.)	36,841	42,801	50,896	61,000	73,719	88,926	109,495
General costs (Lbn.)	721.1	843.8	974.2	1,402.5	2,785.5	3,765.4	3,753.0
Labour costs (Lbn.)	1,066.1	1,300.5	1,468.2	1,956.1	2,682.9	3,319.6	4,135.2
Cost per employee (Lm.)	7.53	8.21	8.85	11.01	13.64	15.29	18.12
Number of employees	141,589	158,348	165,825	177,648	204,159	217,051	228,159

Source: Bank of Italy Report May 1977

Efforts to restructure industry's debt

AT A time of growing political pressure to force the Italian banking system to bail out the ever increasing number of Italian state and private companies afflicted by dire financial difficulties, one sector of the country's banking system has in effect being doing just that. It has been doing this almost unnoticed, while politicians and economic pundits have been expounding in the columns of the country's quality papers all sorts of contorted and complex theoretical solutions. In general, however, these have been met with a sizeable degree of scepticism by the banking system as a whole.

The principal scheme, now aired for some months if not years, is the idea, in one form or another, to transform the outstanding credits the banks have extended to all sectors of industry into equity. The idea is fairly ingenious, as bankers hasten to point out. Companies currently burdened with a disproportionate level of indebtedness would suddenly find themselves relieved of these debts. The new shares would be held by banking consortia and eventually would be sold onto the private market when it recovers. The companies, in the meantime, would have been given sufficient breathing space to reconstruct their troubled financial positions and consolidate their indebtedness.

Element

But as leading members of the banking brotherhood in Italy suggest, this would all be very well in any other industrialised country. In the present circumstances, as indicated elsewhere in this survey, the capital risk market is a marginal element in Italain economic life and is likely to remain so as long as bank savings deposits and short-term Treasury bills yield consistently higher interest rates than the capital risk market could ever offer in the short and indeed medium term. Added to which, many bankers claim, the result of such a scheme would not achieve the basic aim of an overall industrial reconversion. It would only, in fact, act as a temporary remedy for the economic rescue of major and a growing number of medium sized Italian companies.

For their part, certain more innovative sectors of the banking system have not stood still. In particular the merchant banks and the medium term credit institutes have worked out their own individual solutions, which in some cases have already shown practical results.

Unique, in a sense, is the deal which the relatively small Milan "merchant" bank, Compagnia Finanziaria Immobiliare, successfully negotiated this autumn which saw a major American company take a direct participation in a medium-sized Italian concern. The deal is not only unique in that it is the first instance in many years of a direct U.S. investment in Italy. It is all the more so because of the terms of the contract and the nature of the investment.

It involves, after nearly a year of negotiations, the purchase of a 25 per cent. interest by the giant U.S. food manufacturing group, Quaker Oats, in the Italian Chiari and Forti foodstuffs company. The U.S. group will acquire this minority stake by subscribing entirely to a forthcoming capital increase by the Italian company paying double the nominal price of the new shares. The operation, in fact, involves the increase of Chiari and Fortis capital from L2bn. to L2.75bn. through a rights issue of new shares with a nominal value of L500 each, for which Quaker Oats will pay L1,000.

But the significant part of the deal is the provision that any subsequent capital increase in the medium term would be effected through a public offer to all shareholders in order to protect their interests—a clause which is not required under Italian company legislation.

What is even more significant is the nature of Quaker Oats' Italian venture. Chiari and Forti has experienced serious financial difficulties over the last three years accumulating losses during this period of L7bn. At the same time, the Italian company, which employs about 700 people and which reported a turnover of L70bn. last year, has seen its debts swell from about L2bn. to L15bn. It has further been involved in judicial proceedings with one of its directors being jailed and subsequently released. At a first glance, therefore, Chiari and Forti was not the obvious choice for an Italian investment by Quaker Oats.

In fact, the U.S. group is reported to have had considerable misgivings before entering into the venture. What appears to have tipped the scales was the fact that Chiari and Forti was the first Italian company to have its books independently audited by an international firm back in the early 1970s. And despite its difficulties, it has shown signs of recovery and potential development following a recent reconstruction programme. As one of the main Italian negotiators of the deal pointed out: "The Americans found they were dealing with a company which adopted a modern outlook."

Outlook

In so doing, he underlined what is perhaps one of the main obstacles to the proposed industrial reconversion in Italy. It is not merely a question of fresh capital. It is the need for a new industrial outlook at a time of important changes in Italian industry as a whole. The current situation, is in part, the result of the traditional interference of politics in industry, according to one Milan businessman. More important, however, it is the outcome of the country's dramatic transformation in the last 30 years into an industrialised State which has created the ned for "a new and broader outlook."

To a certain extent, the country's State-controlled medium-term credit institutes have been working towards this end. The largest of them, Istituto Mobiliare Italiano (IMI), has a scheme, which has yet to be put into practice, to help re-capitalise medium-sized companies generally regarded as the most profitable end of Italian industry. The idea is to inject fresh funds in companies which have outgrown their limited, though often successful, family-type operations at a time when such funds are to all intents and purposes unavailable on the capital risk market.

Yet there are obstacles too. Medium-sized and especially the smaller companies tend to regard the medium-term credit agencies with certain doubts. They claim, in general, that these institutes are not really interested in financing their activities. The credit agencies on the other hand, assert that there is willingness on their part. What has to be overcome, however, is the traditional outlook of most medium and small businessmen used to raising funds on a short-term basis from their own private sources or through local savings banks. In particular, what has hit this industrial sector of medium and small businessmen has been the sharp rise in short-term lending rates.

On the whole, the major clients of the medium-term credit institutes—some like IMI which are principally investment banks and others like Mediobanca orientated towards merchant banking operations—remain the large groups, which have recently faced growing financial difficulties. The medium-term banks have been actively involved in efforts to resolve the problems of the major state-sector and private companies. But in so doing they have lately shown a high degree of selectivity. Their policy, in brief, can be summarised by the slogan "rescuing what is worth rescuing" and no longer maintaining in existence economically obsolete concerns by pouring fresh funds, which could be more usefully and profitably channelled in another direction. In turn, this means selective support of the major industrial sectors, like chemicals and steel, now hit by a crippling recession.

The cause of the present crisis of many sectors, in part, is the result of what amounts to an indiscriminate policy of government-inspired subsidised credit facilities which effectively encourage the setting up of capital intensive plants (the so-called cathedrals in the desert) in areas of the country's depressed South, devoid of adequate infrastructures and qualified labour.

The bank's new lending outlook also entails helping large companies to consolidate their financial position either by extending medium-term loans to reduce the heavy cost of company short-term indebtedness or by supporting new rights issues aimed at providing badly needed liquidity. IMI, for example, has extended some L100bn. to Fiat to help consolidate the Turin car group's indebtedness—a policy which has already had positive results reflected in the turnaround in Fiat's financial performance. The company, in fact, reported a substantial profit last year of about L60bn. after barely breaking even the previous year.

As for Mediobanca—which was closely involved in both the celebrated Pirelli-Dunlop union and the Fiat £252m. deal with Libya at the end of last year—it offered this year an interesting interest-subsidised loan to Pirelli's small shareholders to encourage them to subscribe to the tyre and cable group's capital increase.

The medium-term credit institutes have also been active in export financing. According to IMI's 1976-77 report, the institute's outstanding export credit transactions reached L2,114bn. for the year ending March 1977, or just over a fifth of the group's overall operations and representing a 26 per cent increase over the previous year.

Paul Betts

Recovery

CONTINUED FROM PREVIOUS PAGE

spiral? The answer is very well, at least in terms of its profitability. Excessive dependence on monetary policy in times of crisis tends to provide very generous interest rate spreads for the banks, and they managed to push up thier combined net *profits last year by almost* 38 per cent., thanks to the exceptionally high level of interest rates. This was despite a further steep increase in their labour costs, which on any international comparable basis are considerable indeed. The Bank of Italy estimates that direct labour costs per year per employee in the Italian banking system are now more than L.18m. (£11,250), up from L.7.5m. in 1970. During the intervening years the total number of bank employees rose from 141,000 to close on 230,000.

Criticism

The banks may well be overstaffed, although it is not reflected in either the quality and speed of their services even for such a potentially simple transaction as cashing a personal cheque. Equally, the banks come in for considerable criticism for their high rates of interest on facilities — a loan to all but top-rated credit risks, which in essence means where the State itself is the borrower of last resort — nowadays can cost more than 20 per cent. They in turn maintain that these are necessary. They point to their "losses" on their mandatory reserves and their obligation to support the bond market. At the same time banks have a need to hold up deposit rates in order to compete with high-yielding and tax-exempt Treasury bills.

In fact Italians have traditionally—and even more so in recent years—placed their savings directly with the banks on deposit, and it is this which has allowed the banking system to keep much of industry going, albeit increasingly more with working rather than development capital. Corporate profit margins in recent years have been greatly eroded, in part the result of cost-push inflation, and companies have had to turn to borrowing for their capital requirements. Given the absence of any developed capital market, borrowing has meant *more and more direct resort* to the banking system, and most Italian companies are now caught up in a situation in which they have little or no access to risk capital, have an excessively high level of indebtedness and are saddled with a cost and structure of debt which is slowly but surely bringing on bankruptcy.

It is this situation which has prompted a wide-ranging debate, initiated by Dr. Guido *Carli, the former governor of* the Bank of Italy and joined (with perhaps somewhat less enthusiasm and more caution) by his successor, Dr. Paolo Baffi, suggesting that the banks and the special credit institutions might in effect trade some of their existing credit lines to companies for direct equity participation with a long-term view of selling off these shares to the public.

Critics of the proposal—and many of them are to be found in the senior management of the leading banks—wonder if this could not ultimately bring on the very kind of situation created in the 1930s when IRI had to be created to bail out the Italian banking system! Governor Baffi for one insists that any such scheme should be "temporary, voluntary and conditional" adding in the case of Italy's crisis-torn larger groups: "The prerequisite for special intervention . . . would seem to be the existence of a plan for the reorganisation of production, backed up by agreements between the company management and the unions involved, and the presence of a controlling group, even a minority one, that has a high entrepreneurial reputation and will assume responsibility for managing the concern."

Stock market in low water

FOR THE first time in more than 30 years of power, the ruling Christian Democrat Party has decided to give priority to reforming and reviving Italy's stagnant bourse and risk capital market. In the past, they have on numerous occasions promised to introduce measures to boost a key financial sector which, to all intents and purposes, has effectively become marginal in the economic life of the country.

But so far these promises have come to nothing, and the bourse has steadily declined, reaching an historic low this year with shares now representing a mere 1.9 per cent. of savings and investments by households.

The long overdue decision to give priority to the stock markets is the result of a number of factors. The major component, however, is undoubtedly the rising financial crisis of most State sector and many private companies recently mirrored in a Bank of Italy survey of 143 companies. The report showed that the overall *indebtedness of the companies* amounted to some L48,000bn. (£33bn.), while their combined annual interest liabilities totalled about L7,500bn.

Several companies, including giants like the chemical conglomerate, Montedison, and the State-controlled Finsider steel group, are now facing serious difficulties in raising fresh capital urgently required for the consolidation of their financial position. With declining industrial production, inadequate investments, pronounced labour and money costs, and the fall in the profitability of the industrial sector, *widespread* unemployment—officially put at present at 1.8m., but this figure only tells part of the story — now threatens the fragile political stability of the country and could provoke serious social tensions. Even qualified clerks and stock market dealers, concerned over their jobs in the wake of the continuing paralysis of the bourse, went on an unprecedented strike early this summer, bringing stock market activity throughout the country to a standstill for more than a week.

PERSONAL SAVINGS

(L bn.)

	1965	%	1975	%
Banknotes	3,118	9.2	10,137	7.9
Bank deposits	10,117	30.0	64,063	50.3
Post office savings	3,293	9.8	11,849	9.3
Treasury Bills	6	—	216	0.2
Other deposits	681	2.0	3,748	2.9
Bonds	5,633	16.7	16,9??	13.3
Shares	5,911	17.5	2,393	1.9
Life annuity funds	2,864	8.5	9,492	7.4
Foreign business	2,126	6.3	8,723	6.8
TOTAL	33,749	100.0	127,534	100.0

Source: Bank of Italy Report May 1977

At the end of August, after nearly two years of crisis measures to protect the lira, the minority Christian Democrat Government of Signor Giulio Andreotti introduced a package of measures, yet to be approved by parliament, aimed at stimulating the bourse and giving wider powers to the National Commission on the Stock Exchange and Companies, the so-called CONSOB.

With a recently signed inter-party agreement on a common government programme, and a notable improvement in the country's payments position, the Government introduced for the first time the principle of income-tax credits on dividends. It reduced the withholding tax on dividends from 50 per cent. to 30 per cent. and offered tax concessions for subscribers of new issues. It hoped, in so doing, to encourage private investors to turn to the capital risk market and so at least partially reduce the serious problems of companies seeking to raise fresh capital at a time when the banking system is showing growing reluctance and greater selectivity in extending new credits. At the same time, to rationalise the bourse, it raised the minimum capital requirements of companies and strengthened the so far limited powers of CONSOB. For the second time in one year, the authorities also reduced the discount rate, which led to a subsequent cut in the commercial banks' prime lending rate.

Weaknesses

For a few days, there was an effervescent mood on the Milan Bourse and on the other Italian stock exchanges. The official index rose sharply. But the turnround was not to last very long for, as one dealer remarked, the Government package has basically done little to remove the structural weaknesses of the market, which slumped again last month in part as a response to the protracted debate over the *Government's measures.*

Politically, it has suited the ruling party to seek business funds not through the stock market but from a largely politically controlled banking system. In the mid-1950s, in *fact, when the ruling party* saw its position threatened by growing electoral gains of the Communists, it sought to consolidate its control over both the banking and State sectors. In turn the Communists have regarded the reform of the system as not only a way of eroding Christian Democrat control over these key sectors, but also as a useful electoral platform to attract votes from small and medium businessmen, so consolidating its position in the industrial north of the country. But the political parties appear unable to agree on a common formula, thus eroding market confidence.

In economic terms, the traditional need to cover an ever expanding public sector deficit has induced the authorities to favour the Treasury bill market at the expense of the bourse. The banks—bound by the Bank of Italy's minimum reserve requirements, limited by a rigorous ceiling on credit expansion and compelled to invest a sizeable portion of their available deposits in low yielding Treasury paper to support the bond market—have also undermined the stock market by offering high yielding borrowing rates averaging between 10 and 15 per cent.

These high interest rates on bank deposits are in part directly due to the competition of short-term Treasury bills—now offering rates averaging 13 and 14 per cent. But which at some stages were yielding as much as 17 per cent.—and in part due to *inter-bank competition to* attract new deposits. The banks have also been criticised for their reluctance to reduce interest rates, thus easing the heavy financial burdens of industry. But this, the banks point out, would compel them to reduce their borrowing rates.

The result has been that the banking system has absorbed more than 50 per cent. of personal savings despite the unfavourable differentials between interest and inflation, while the *overall value of short-term* Treasury bills bought by private investors has risen dramatically from a mere L209bn. in 1975 to L1622bn. last year. In other words, bank deposits have become the principal form of personal savings, and, in turn, bank indebtedness has become the principal form of financing, not only for private and public companies but also for local government, hospitals, social services and other public utilities.

On the other hand, an average equity yield of less than four per cent. is unlikely to attract much business for the bourse, which has become little more than a playground for speculators. So far this year on the Milan Bourse, Italy's main stock market, more than 60 per cent. of transactions were accounted for by dealings in about ten shares of some 200 listed. An estimated 80 per cent. of all deals took place outside the *market. Some listings have been* suspended for several years but have yet to be withdrawn. To complete the picture, about half the shares on the market are frozen in the hands of large industrial or financial groups, which have traditionally held on to substantial holdings either for strategic or long-term investment policies.

Although set up three years ago, the stock exchange regulating commission, CONSOB, which effectively started functioning in 1975, has so far been seriously handicapped in its efforts to improve the situation. It has faced acute staffing problems and been obstructed by repeated delays in the implementation of important new *legislation*, such as the obligation for all listed companies to have their accounts independently audited. Indeed, CONSOB staff gave expression to their frustrations last month by taking industrial action.

Supervise

CONSOB's role is essentially to supervise overall stock market activities, to regulate trading on the market, suspend and cancel shares, limit trading in certain shares to cash transactions, and control admission of new securities to the official listing.

To a limited extent, it has already exercised some of its powers. During the last year, to stop a wave of excessive speculation, it penalised the forward market by imposing a 90 per cent. cash collateral on all forward deals. This has since been abolished. In recent weeks, it has suspended about ten shares and forced one company, Flaminia Nuova, with interests in real estate and insurance, to publish its latest results and changes in ownership which had led to dramatic fluctuations in the company's share price.

CONSOB also intervened this year in a significant case concerning crossed-shareholdings in a triangle of three major Milan-based companies — the Bastogi Financial Group, Italcementi and Italmobiliare. Italcementi, in fact, while holding only about a 3 per cent. stake in Bastogi, effectively controlled the financial company through Italmobiliare's 17 per cent. or so stake in Bastogi, since Italcementi in turn has 100 per cent. control of Italmobiliare. At the same time, Bastogi owned a 7 per cent. interest in Italcementi. In the past, the practice of such interlaced shareholdings, which, among other things, has the advantage of enabling companies in a given triangle to float capital freely among themselves, has been widespread.

It is also unlikely that the public will turn to the capital risk market unless credibility is restored to the bourse. To do this, most financial analysts here agree, it is essential to enforce stricter discipline in company accounting and reporting standards, not only to revive confidence in the public but also in international financial and banking circles at a time when the so-called "Italian risk" appears to be fading.

At present, however, there are no codified rules, principles or auditing standards as such in Italy, and the Italian accounting profession is not on the whole equipped at the moment to provide the required services in this field. A growing number of Italian companies, in fact, are now turning to the "big eight" international public accounting firms to have their accounts independently audited. Nevertheless, there is still considerable resistance in many Italian economic sectors, including the banking system, to adopt new standards.

Against this general background, the banking system is currently fighting a rearguard action against growing political pressures to force the banks to bail out the industrial sector—at a time when Italian company indebtedness has saddled the banking system with an increasing volume of practically unrecallable loans. But the banking system, according to one leading Italian banker, could only be one (if major) component in a recovery programme. It could not act as the only alternative to the capital risk market. The same banker, however, pointed out that the chances of "economic logic prevailing over political logic" were *slim.*

P.B.

Busy multitude of regional banks

IMAGINE a country with more than a thousand banks. Then, for an immediate introduction to one or more of them, fumble in your pocket for some small change. Among the grubby, log-eared *mini-assegni* (small notes of denominations of L50 to L300) you pull out, several will be from locally based issuers like Banca Cattolica del Veneto, Credito Varesino, Banca Popolare di Novara or Banco di Chievari e della Reveira Ligure. Few of them are very big, and they are spread all over Italy. With the exception of less than a dozen truly national banks, their roots and their activities are in restricted areas of the country's main regions.

Several big State-owned banks, like Banco di Sicilia or Banco di Napoli, have names suggesting regional links, and regional politics play a significant part in their management. But an official at Banco di Napoli rejects suggestions that his bank is anything other than a national institution, and his reaction underlines, in an inverted manner, the strengths and weaknesses of the true local banks.

Youngest

The only true regional bank among the nine major State-owned banks is Banco di Sardegna, the smallest and youngest of the six Instituti di Credito di Diritto Pubblico. Set up in 1953 as the successor to a much older agricultural credit concern, it is a classic example of the regional bank. Its deposits are well below the L2,000bn. level and at the end of 1976 deposit and current accounts totalled around L750bn.

It has nearly 50 branches, all in Sardinia, and on the mainland it has representative offices only in Rome and Genoa, with one shortly to be opened in Milan. On the mainland the bank does business only with companies having commercial connections with Sardinia. On the island—it accounts for some 50 per cent. of banking business and has been a potent force in economic development in the last 24 years.

The power and influence some of these regional credit institutions exert is immense. But as many as 660, over half of the total number of credit institutions, are in essence small local savings banks, generally with only one branch. Set up for the most part in the late 19th and early 20th centuries to promote local agricultural and commercial development, they are the smallest units in the Italian banking system.

On a slightly larger scale than the rural savings banks, are the 89 local or regional savings banks, generally with several branches and a wider catchment area for both deposits and loans. The biggest of these is Cassa di Risparmio delle Provincie Lombarde, from *the Milan region. Now virtu*ally a national institution, this bank has extended its activities on to the international scene as well. Using the cryptogram CARIPLO to smarten up its unwieldy full name, it has representative offices in London and Brussels, as well as 400 branches and 7,900 employees in Italy.

In Sicily, Cassa di Risparmio V.E. per le Provincie Siciliane sports a royal hierogram (V.E. for Vittorio Emanuele) in its title, after the king who allotted it a perpetual endowment in 1861 of L.42,500, less than £30 at current rates. In 1976 it lent more than L.1,200bn. for the development of the Sicilian economy. Another large savings bank is Cassa di Risparmio di Genova e Imperia. Deposits at the end of last year totalled nearly L.1,500bn. and the bank has representative offices in London, Frankfurt and New York.

Among the 172 co-operative banks set up for the most part in the last century to finance local enterprise, there are some big names as well. Banca Popolare di Novara has 332 branches in northern and central Italy, and representative offices in Brussels, Caracas, Frankfurt, London, New York, Paris and Zurich. Its deposits and current accounts at the end of last year totalled more than L.3,650bn. Banca Popolare di Milano is another major co-operative, with over 100 branches and representative offices in London and Frankfurt.

Another hundred or so local private banks play an equally important role both in producing finance in their own area and as a window for local business to the outside world.

Banco di Perugia, with its eight branches, has been under control of Banco di Roma for the last two years. Banco di Toscana, with 175 branches and funds of over L.2,000bn., has correspondents all over the world, and is owned by Monte dei Paschi di Siena, Italy's oldest bank.

Indirectly

The legislation which divides Italian credit institutions into short-term borrowers and lenders on the one hand and medium-term institutions on the other means that these banks are not able to operate directly in the medium-trem loan market that industrialists require to finance investments in new factories and plant. Instead, banks do so indirectly, by participating in specialised medium-term banks like Mediobanca (owned by three big State-owned banks, Credito Italiano, Banca Commerciale Italiana and Banco di Roma), Interbanca, Centrobanca or Efibanca.

The medium-term loan market introduces the question of State subsidies for investment, and the controversies that surround distribution of State hand-outs to big industrial companies. Southern Italy, with its own very real problems of economic underdevelopment, has its own medium-term credit institutions — Isveimer for mainland southern Italy, Credito Industriale Sardo (CIS) for Sardinia, and IRFIS (Istituto Regionale per il Finanziamento alle Industrie in Sicilia) for Sicily. Banco di Sardegna, for example, is one of the major shareholders in CIS, a leading source of finance for industrial investments in Sardinia.

These three institutions turn to the Cassa del Mezzogiorno, the State fund for Southern Italy, for their subsidies to support investment. Not surprisingly, in a country where control of money means substantial political power, the top posts in these institutions, and in the banks behind them, are focal points for the exertion—and for clashes — of strong political interests.

This was made clear recently in the controversy over the nomination of the Christian Democrat, Sig. Ferdinando Ventriglia, a former Director General of the Treasury, to the head of Isveimer. It underlies recent appointments at Monte dei Paschi di Siena, where the political parties, including the Communists, divided senior posts among their own candidates. It is the main reason for continuing delays in nominations to top posts at big State-controlled banks like Banco di Sicilia, which have been vacant for years because of regional and national power struggles in political circles.

In the poorer areas of Italy, subsidised credit plays a major role in assisting economic development. In Southern Italy, which is relatively poor in banking institutions, the Cassa del Mezzogiorno has financed investments worth over L12,000bn.

In the first 10 months of this year alone it provided subsidies costing over L1,750bn. to finance investments in the Mezzogiorno, Sicily and Sardinia. Its latest initiative is in Sardinia, where, according to one banker, subsidised credit accounts for nearly one-third of all credit operations. There the Cassa is putting up L22bn. for development of the port of Cagliari. The Cassa is a well-known name in international financial markets, and for 1978 the Government has told it to raise L300bn. from the European investment bank and other sources abroad.

The thousand local banking institutions which operate in the recesses of Italy's small towns and countryside are mostly less well known, even though some of them, like Banca del Monte di Bologna e Ravenna (founded in 1473), are as old as banking itself.

The local banks' contribution to regional expansion is such as to deserve some publicity. As an official of the Arezzo Co-operative Bank in Tuscany points out, his bank, which recently merged with two other co-operative banks to form Banca Popolare d'Etruria, was historically responsible for the development of that area's prosperous local industry. Small industry is often praised in Italy as being the backbone of the national economy. The local and regional banks have provided it with cash and corsets.

By a Correspondent

Happy foreign brigade

FOR THE forty or so non-Italian banks with branches, representative offices or affiliations with one of the domestic credit institutes, there are far worse places than Italy. For the foreign contingent, indeed, Italy is now proving a highly profitable market.

Concentrating mainly on wholesale business, the non-Italian banks currently enjoy some of the most generous interest rate spreads in a highly liquid Italian interbank market. They deal essentially with non-Italian customers and multinationals, and when they do extend their services to Italian companies, these generally tend to be the Fiats, the Olivettis or the *Pirellis—in other words* the cream of the domestic business.

At the same time they are not burdened with the problems of Italian banks. Limiting their operations on the whole to Milan and Rome, they do not have the high labour costs borne by the domestic banking system. In general they do not deal in retail business and consequently are not bound by the Bank of Italy's 15 per cent. minimum reserve requirement or the obligation to invest an additional 35 per cent. or so of total deposits to support the local bond market.

The same is generally true for those banks like Barclays and National Westminster which are represented by affiliates in Italy, although to some extent they are more exposed to the limitations of the Italian banking system. But then there are advantages too.

A relatively small network of long-established deposits provided, as in the case of Barclays, by the 49 per cent. interest in the Milan-based Banca Castellini—the minority partner of Barclays-Castellini — is translated into solid "conservative" local business. In the case of NatWest minority holding in Creditwest, it means a stable flow of lira funds for its wholesale activities from its Italian majority partner, Credito Italiano, the country's third largest commercial bank.

In any event the two British banks are less subject to the sort of fierce competition which characterises American banks in Italy. For these, a footing in Italy is important in view of the wide-ranging requirements of their major clients—the multinationals.

In particular the U.S. establishments are anxious to provide facilities for these customers with operations in Italy to avoid the risk of seeing part of the business go to a rival bank with a presence in the country. Indeed, the U.S. banks are known to offer short-term loan facilities to their traditional clients below prime rate levels —although in the case of Italy this still means a sizeable interest rate spread considering current interbank rates averaging about 11.5 per cent. as against a prime rate of 16 per cent.

Inflow

At the same time, however, the U.S. banks tend to offer a margin over interbank on 48-hour call money to guarantee themselves a steady inflow of lira funds and protect themselves against any eventual liquidity squeeze.

Morgan Guaranty is a good example of the low-cost, low-labour content operations, and corresponding profitability of foreign banks in Italy. Until the beginning of this year the bank was represented in Italy through Morgan Vonwiller Spa, an Italian operation based in Milan in which Morgan Guaranty held the controlling 51 per cent. interest. As an Italian bank it was also involved in retail business and employed a relatively large staff of about 270.

Morgan sold its 51 per cent. interest to Credito Romagnolo last year, having first received permission from the Bank of Italy to open a full branch in Milan and eventually also one in Rome. The Milan branch was officially opened last June, although it had effectively started doing some business in April. Its total staff will eventually be about 65, and already the bank is understood to have reached its official lending limit this year. Indeed, but for official restrictions it could have probably generated some $200m. of loans, or roughly the loan portfolio it left behind when it sold its 51 per cent. stake in Morgan Vonwiller.

While Bank of Italy ceilings on credit expansion have to a certain extent limited the potential of the Italian market, foreign banks—like (or that matter their Italian counterparts —have been unrestricted in dealing with foreign exchange short-term export-import loan operations. But while these transactions do not come under official credit regulations, they are in fact less profitable for the banks than lira lending because of the less favourable interest rate spreads.

Ironically, however, they are a cheaper form of short-term funding for companies in Italy. At present an Italian borrower can in effect raise a short-term foreign currency loan with an interest rate of about 14 per cent. (as against an Italian prime rate of 16 per cent. and some domestic lending rates reaching at times peaks of more than 25 per cent.) including forward cover and the 3/4 per cent. or so mark-up by the lender.

According to some foreign bankers in Milan, Italian credit institutes are known to have offered even cheaper foreign currency loans by charging mark-ups as low as ¼ and ⅛ per cent. Indeed over the last ten months of this year the combined foreign indebtedness of the Italian commercial banks has sizeably increased from some $3bn. at the end of last *year to more than $6.5bn. in* October.

With the gradual phasing-out of the so-called "Italian risk," which effectively halted private bank lending to Italy over the last two years, the country is now returning again on the Eurocurrency market. The Italian State medium-term credit agency, Istituto Mobiliare Italiano (IMI), was the first to break the ice when it negotiated a Euro loan of $200m. Since the IMI "club loan," co-ordinated by Morgan Guaranty, there has been a series of other loans including $200m. for the Italian energy group, Ente Nazionale Idrocarburi (ENI), and further *loans for the State utility com*panies and some major industrial concerns. IMI, however, had to pay the price for the prestige of leading the return of the country on the international market. Its $200m. loan, extended over six years, carries a floating rate with a margin of 1⅞ above Libor.

But the foreign banks too tend to regard these transactions in terms of prestige for, as they point out, they are effectively less profitable than short-term lira funding. This was certainly the case for Morgan Guaranty, for what better publicity and prestige in Italy than the IMI loan at the time this U.S. banking house was setting up shop in Milan. Not to be outdone, Manufacturers Hanover Trust, which previously had only a representative office in Rome and has now just opened a branch in Milan, entered into the lending syndicate, led by Deutsche Bank, for the ENI $200m. loan.

The IMI loan is intended for financing exports of Italian consumer goods. The subsequent Eurodollar loans to other Italian concerns are also, on the whole, directed for specific investments or export financing. The trend is therefore clearly on project lending rather than the traditional balance of payments loans to offset an ever-expanding public sector deficit in Italy, unofficially estimated next year at more than L25,000bn. or nearly double the International Monetary Fund limit of L14,450bn.

Voiced

It is in a sense the policy which the U.S. Treasury Secretary Mr. Michael Blumenthal, voiced during his last visit here in October. Mr. Blumenthal expressed cautious optimism over the Italian Government's current economic stabilisation programme. But he warned that the prospects for new U.S. investment in Italy would greatly depend on the success of the Government's attempts to bring down inflation and reduce the heavy public sector deficit.

The foreign banks in Italy are now showing considerable selectivity in their lending policies. Yet on the whole they express measured confidence over the long-term situation in Italy and the very real technological and industrial potential of a number of Italian companies.

P.B.

Peak borrowing abroad

N AFTER a long, expen- and ultimately abortive ce of the lira the Italian rities decided finally to temporarily the foreign nge market at the begin- of last year, the freely ble reserves of the Bank ly had dropped to around at the then exchange rate. 18 months later these es had climbed back to than $6bn., at first sight st an impressive recovery st the background of a financial crisis.

was it? In roughly that period the net foreign tedness of Italian banks from L359bn. to well over 0bn.—or, taking an admit- crude average for the nge rate in the intervening d, by $7bn. Theoretically st, foreign banks by mid- had sufficient net credits the Italian banking system y up the Bank of Italy's foreign exchange re- s, and still be net creditors! is not surprising therefore he central bank, in its last l report, had this com- : "Along the path towards er financial stability to we are committed, the banks have built a bridge. It consists of the short-term indebtedness passing through their hands; the debts of the treasury and enterprises towards the banks, and that of the banks themselves towards creditors abroad and the public. The country's external and internal monetary situations both depend upon the breadth and adequate stability of the structure. *In such circumstances the credibility of the banking system becomes a question of overriding general interest.*" (Our italics.)

But most Italian banks are still highly politicised in their top managements and as a direct consequence sometimes in their criteria for advancing accommodation, and as such they often appear to be tainted by the political scandals which have all too frequently been part of the Italian scene. Just now the Banco di Roma, part of the IRI group, is under something of a cloud arising out of the collapse of the empire of the celebrated financier Sig. Michele Sindona, who is currently in the U.S. fighting Italian extradition proceedings. Banco di Roma's two managing directors have stepped down temporarily pending the outcome of a protracted judicial inquiry into the Sindona affair (both men deny any involvement in the case), and the bank itself felt obliged earlier this week to buy advertisement space in the local Press to emphasise that its affairs were sound and its customers' deposits safe.

Yet Sindona in his various ramifications at the height of his business empire is reported to have had credit lines from, or other dealings with, more than three dozen Italian banks, and it is known that Banco di Roma in particular remains heavily exposed—although not dangerously so in view of its own considerable reserves. Nonetheless, it is the kind of situation which can so easily undermine the credibility of the bank, an important consideration at any time but even more so now, when there has been such a sharp increase in banks' net foreign indebtedness.

A scare headline in the Italian Press concerning any one of the major banks can very quickly get telephones buzzing in Zurich, London and New York, a point which perhaps should be borne in mind at this time when the banks could come under some pressure to trade part of their extended credit lines with a number of ailing companies for equity. This is not necessarily to undermine the possible validity of the various proposals currently under discussions, but simply to sound a preliminary word of warning.

But to return more directly to the Italian banks' foreign operations. It is interesting to note, with the advantage of hindsight now that the figures are available publicly, that foreign credit institutions were taking an encouraging view of the Italian economy even at the time early last year when the lira was under immense pressure. The explanation would appear to be twofold.

First, the international banking system was highly liquid for a number of reasons, including reduced credit demand in the major countries, the U.S. payments deficit and the inflow of funds from the oil exporting countries. Secondly, and since credit ratings are largely relative, Italy was seen as a much better risk situation than, say, most of the developing countries and the Comecon States of East Europe. This assessment only improved as the Government, both before and even more so after the June 1976 election, took a number of monetary, fiscal and administrative moves which together added up to a fairly tough austerity package.

Pushed

On the demand side, as it were, some of these moves automatically pushed the Italian banks into further foreign operations since the authorities obliged importers to finance all advance payments for imports in foreign exchange and subsequently ordered that thirty per cent. (later raised to fifty and since cut back) of credits arising from delayed payments on exports should also be in foreign exchange.

Another push in the same direction of increased foreign indebtedness came towards the end of last year with the imposition of ceilings of lira loans to domestic customers; these have since been extended to next March. Additionally there was and (to a somewhat lesser extent) still is an important attraction in the much lower interest rates applicable on foreign funding. Incidentally, all this increased foreign activity by Italian banks may well influence their own profit figures to some extent in the current year, since their margins on external operations tend, to be a great deal narrower than is usual for their domestic activities.

There has as a consequence been an increase—although hardly a dangerous one—in the banks' overall ratio of foreign indebtedness to domestic deposits, but there has been a sharp rise indeed in their ratio of net foreign indebtedness to foreign liabilities, a point made in a recent comprehensive analysis of the foreign indebtedness of the Italian banking system by the research department of the Banca Commerciale Italiana. And while it is not directly related to the particular point of this article, there have clearly been implications for the authorities in the increased foreign operations of the banks when it comes to controlling the money supply, since foreign currency loans have not come within the ceilings imposed on domestic credit expansion.

On the other hand, part at least of this increase in the net foreign indebtedness of the banks should be self-liquidating as export credits are repaid. Up-to-date statistics are not yet available, but all the signs suggest that the growth in the banks' net foreign debt has in any event already peaked and that in fact there has been some reduction in recent months. Nonetheless, it is evident that the banking system itself has over the past two years made a massive contribution to financing the country's balance of payments deficit which, says Banca Commerciale Italiana, is "without parallel in other countries."

D.J.C.

Insurance sector doing well

LIKE the banks, the Italian insurance companies are now coming under considerable political pressure, and for the same reason. They and the banks are among the few economic sectors that have managed to keep their head up in the face of a growing recession, and consequently both industries are now regarded as key instruments to help put the country back on the road to recovery.

For the insurance companies this kind of political attention is hardly welcome. In the case of the giant State company, Istituto Nazionale per le Assicurazioni (INA) and its major subsidiary Assitalia, which deals with general insurance and motor policies, it has led to a major political tug-of-war involving factions of the Christian Democrat and other parties, the Christian Democrat Industry Minister, Sig. Carlo Donat Cattin, and a whole series of at times unsavoury controversies in the current battle for political control of the Assitalia group.

Misgivings

Both State and private insurance companies generally view the interest shown by politicians in their activities with growing misgivings. They effectively see this as an attempt to undermine the relative degree of autonomy they have enjoyed—much more in fact than the banks and perhaps even more so than the industrial sector which has seen its position eroded by its heavy level of indebtedness to a largely politically controlled banking system.

Despite a number of legal restrictions concerning the investment of technical reserves, Italian insurance companies have managed to adopt investment policies which are in a large measure the reason for the sound position and prestige the major concerns currently enjoy. Last year, of the country's 15 major insurance companies only three reported losses. All the others posted profits, with Assicurazioni Generali—the largest Italian insurance company—reporting a record profit of L22.3bn. (more than £15m.) and a 28.5 per cent. increase in premiums over the previous year.

As for the country's second largest company, Riunione Adriatica di Sicurta (RAS), it reported a 33.9 per cent. increase in premiums and saw its profits double, while Italy's oldest insurance company, Compagnia Milano, effectively trebled its profits. However, in the case of both Assicurazioni Generali and RAS, this positive performance was largely the result of the international activities of the two groups.

According to the economic adviser of the RAS group, Sig. Pietro Manes, a major factor accounting for the strength of the Italian insurance sector is the generally large proportion of technical reserves invested in the past in property. Indeed, property investments account for nearly 50 per cent. of companies' investments—a much higher proportion than in other Western countries.

Existing legal restrictions lay down a list of permitted investments for Italian companies, including Government bonds or other fixed-interest securities, property, and certain other investments like equities. But as Sig. Manes explains, the same reasons that have made property investments so profitable have worked against investments in bonds and equities. At the same time fixed-interest securities have, like equities, increasingly become a risky form of investment whose real value has effectively been eroded by inflation.

To some extent investment in property has also become considerably less attractive of late. On the one hand it is the subject of growing attack from new political and social forces, while rent restrictions on the other hand have severely limited its rate of return. For this reason there has been a tendency among insurance companies to build up liquidity and increasingly rely for earnings on short-term investments such as high interest bank deposits or three- and six-month Treasury bills. Indeed there was a dramatic rise last year in the liquidity of insurance companies, which increased by some L400bn. (about £270m.) or about 75 per cent. more than the previous year.

What now particularly concerns the insurance companies are proposals to extend existing investment restrictions by imposing maximum and minimum ceilings for individual investment categories like bonds and property. Furthermore, the proposals are not only limited to general insurance but also take in the life assurance sector, although the latter has always played a relatively marginal role in Italy.

Only two per cent. in fact of Italian household savings go into life assurance. Indeed Italy is well at the bottom of the league of industrialised countries as regards the proportion insurance represents in terms of Gross National Product. In Italy's case this proportion currently amounts to 2.4 per cent. compared to 8.8 per cent. in the US, some 5.6 per cent in Britain and 4.8 per cent. in France. And while life assurance touches only about 20 per cent. of all Italian families, yearly pro capita expenditure on insurance in Italy is estimated to be no more than the equivalent of about £8 as against some £115 in the U.S. and £65 in Britain.

In 1960, in effect, insurance represented a mere 1.3 per cent. of GNP, and it was the advent in the early seventies of compulsory motor insurance that forced this up to the present 2.4 per cent. level. To a large extent there has traditionally been an attitude of apathy towards insurance in Italy — which in the case of life assurance is perhaps the result of an advanced social welfare system.

Despite this attitude, the companies whose overall premiums last year totalled L3,400bn. (about £2.3bn.), have in general being doing well. For this reason the country's political forces now appear to be looking towards this sector for the much talked about national programme to revive the depressed domestic construction market and especially the State-subsidised popular housing scheme.

At a time of recession the revival of the construction sector is clearly a key instrument for absorbing growing unemployment. To this end there are now increasingly firm proposals to extend the regulations governing the investments of insurance companies so as to direct a substantial portion of their funds towards popular housing. This prospect, however, has generated little enthusiasm so far in the Italian insurance business as a whole.

P.B.

STOCK EXCHANGE REPORT

Interest rate uncertainties leave short Gilts easier

Equities narrowly mixed with speculative features

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Nov. 14	Nov. 24	Nov. 25	Dec. 6
Nov. 28	Dec. 8	Dec. 9	Dec. 20
Dec. 12	Dec. 29	Dec. 30	Jan. 11

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

There was no follow-through buying in stock markets yesterday to support the higher levels reached the previous day following the Bank of England's emphatic message that last week's 2 per cent. rise in Minimum Lending Rate was sufficient to correct the recent imbalance in the interest rate structure caused by a heavy inflow of foreign cash.

Wednesday's net gains to 1½ in short-dated British Funds had largely reflected covering of short positions and with this cushion removed prices were looking uncertain following reported doubts about the ability of the authorities to hold short interest rates for long. Losses in short-dated Gilts ranged to ⅜, while trade elsewhere in the Funds was featureless and the Government Securities index held steady at 73.99.

Leading equities made every appearance of continuing the two-day rally at the start of trade, but eventually drifted lower in another thin business. Up 2.7 at 10 a.m., the 30-share index was showing a loss of 2.4 at 2 p.m. and was finally 1.2 off on balance at 479.8.

The continuing low level of trade was reflected in official markings of 4,689 compared with 4,153 and 5,131 on Thursday of last week. Growing pressure on the Government's 10 per cent. pay guide remained the chief factor inhibiting buyers who were again concentrating their attention on the more speculative counters. Bid stocks, actual and potential, were prominent. Expectations that BP partly-paid shares would claim a big interest on the last day of dealings in this form were disappointed and the company's third-quarter figures were well below market estimates but the late turn-down in the shares mirrored selling from America rather than the trading statement.

Partly reflecting a catching-up on the previous day's gains in the leaders, second-line issues showed widespread rises as seen in the 5-to-2 majority of rises to falls in FT-quoted industrials overall, but the All-share index ended barely changed at 208.59.

Gilts lethargic

Expectations of another busy trade in British Funds were not fulfilled and the day turned out to be a disappointing non-event. First-time dealings in the short tap Treasury 8¾ per cent., 1982, ex the dividend failed to attract any serious investment interest and, along with other early maturities, the price drifted back; scattered selling resulted in a decline at this end of the market which tended to gather momentum in the last half-hour of business and left falls extending to ⅜—effectively halving Wednesday's rises to 1¼ points. The longs, up a relatively minor amount the previous day, opened tentatively higher but soon reverted to overnight list levels and after a light trade were tending to ease a shade in the late business. Corporations staged a half-hearted rally and closed ¼ better in places.

Extremely quiet conditions obtained in the investment currency market with the result that rates were hardly varied all day. The closing premium was 97¾ per cent. against 98 per cent. the previous day. Yesterday's SE conversion factor was 0.7235 (0.7247).

Among New Issues, S. W. Farmer made a quiet debut, closing at 109p, after 113p, compared with the issue price of 104p.

Natl. & Comm. please

Better - than - expected preliminary profits took National and Commercial up 4 to 74p and prompted a sympathetic gain of 10 to 283p in Bank of Scotland. Following its awaited decision on interest rates, Barclays rose 6 to 332p, while Lloyds and NatWest closed similarly better at the common level of 282p. Midland ended only a couple of pence up at 375p. The announcement that Barclays Bank International had placed its entire holding (3.9m. shares) in ANZ to various Australian institutions left the latter 17 down at 268p and caused dullness in other Australian Banking concerns Bank of New South Wales shed 23 to 432p, National Bank of Australasia 14 to 206p and Commercial Bank of Australia 8 to 214p. Hire Purchases were firmer for choice with Provident Financial 5 higher at 97p and George Sturla 1½ up at 10½p. Antony Gibbs were notable for an improvement of 5 to 48p in Merchant Banks.

Wednesday's trend was repeated in Insurances with Brokers again providing the main movements. Sedgwick Forbes gained 12 to 360p and Willis Faber hardened 5 to 280p.

Better - than - expected from results from Bass, 8 to the good at 161p, aided sentiment in the Brewery leaders and small early losses were replaced by gains of an equally minor nature. Among secondary issues, Home responded to the preliminary figures with a rise of 5 to 195p.

Contracting and Construction issues edged forward in thin trading. Richard Costain gained 6 to 266p and Taylor Woodrow 4 to 406p, while George Wimpey were 2 harder at 77p. Elsewhere, Tunnel B put on 4 to 240p and Magnet and Southerns improved 3 to 188p. Bryant also advanced 3 to 38p as did Milbury, to 63p; the latter's interim results are due on December 13. George Dew pushed forward 3 more to 130p awaiting further news of the bid approach. M. J. Gleeson, on the other hand, shed that much to 49p following disappointing results.

Willows Francis were outstanding among Chemicals with a jump of 30 to 104p, after 105p, in response to the surprise bid worth about 107p per share from Guinness Peat, 5 dearer at 207p; the former's 6 per cent. Preference were marked up 32 to 75p. Elsewhere, ICI were untested at the overnight level of 362p but Alginate were wanted at 280p, up 7.

Walker & Staff good

An investment recommendation drew buyers' attention to Walker and Staff which, in fairly active trading, rose 5½ to 20p. Elsewhere in Stores, Church met with support at 164p, up 6, and W. H. Smith A hardened 5 to 785p in a thin market.

Typical of the general movement in leading Electricals, GEC opened higher at 246p and then reacted to 239p before ending a net 4 lower at 240p; the interim results are expected next Tuesday. Racal were a volatile feature, the resignation of the deputy chairman clouding an excellent set of mid-way results, and the shares ended 2 lower at 208p, after having fluctuated between extremes of 197p and 212p. Elsewhere, gains of 5 were seen in M.K. Electric, 176p, and Electrocomponents, 335p.

Movements in the Engineering leaders were small and mixed. J. Brown rose to 260p before falling back to settle at 255p for a loss of 3 on balance. GKN ended 2 cheaper at 282p, after 287p, but Hawker and Vickers were both around 3 dearer at 176p and 182p respectively. Scattered demand left Spirax-Sarco 6 higher at 252p and Weir Group 4 better at 118p, while Leon Berner advanced the latter amount to 18p on news of the bid worth 17½p per share from D. H. Bevan. Fresh demand ahead of next Monday's interim results left Matthew Hall a penny better at 171p, after 175p. Braithwaite improved 5 to 155p, while rises of 4 were established by Hopkinsons, 80p, and Jones Shipman, 118. Among smaller-priced issues, Francis Shaw moved up 2 to 29p and Raine Engineering 1½ to 15p. 600 Group closed 2 higher at 66p, after 67p, on the increased half-yearly dividend and profits, while news that the bid discussions were continuing left Graham Wood 4 dearer at 57p.

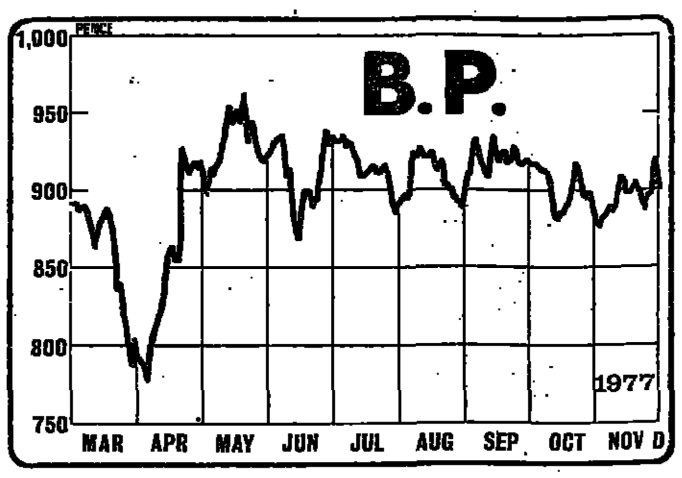
Although activity in Foods was at a fairly low ebb, prices were often harder and gains of a few pence were seen in Associated Fisheries, 53p, A. Hinton, 88p, and Lyons, 103p. Bluebird were noteworthy among Confectioners with a rise of 7 to 117p, while Rowntree Mackintosh improved 8 to 392p. Following Tuesday's statement outlining the company's losses, dealings were resumed in Sena Sugar, 4½p, compared with the suspension price of 9½p.

Allied Polymer rise

Allied Polymer proved to be the feature of miscellaneous Industrial issues; suspended on Wednesday at 37p pending details of a bid from BTR Industries, dealings were resumed yesterday at 49p on the agreed terms of 50p a share cash and the close was 48p; BTR settled a penny off at 252p, after 255p. UKO International eased 2 to 176p late on interim profits deemed slightly disappointing, but the price appeared to be underpinned by bid hopes. Fading hopes of a take-over move left Allied Investments 3 down at 46p. Aggressive buying of S. Simpson took the A shares up by 7 to 90p, while Thos. Witter were wanted at 37½p, a rise of 4½. Profit-taking, however, left E. Fogarty 10 lower at 130p. Still on the recent property revaluation, Long and Hambly gained 3 to 28p, while Press mention was responsible for a rise of 2 to 95p in Pauls and Whites. The leaders made little overall show; Bowater rose 5 to 177p, while Metal Box hardened afresh to 292p before ending a net 4 lower at 286p, and Glaxo reacted 7 to 583p.

Buying interest was again evident in the Motor sector. Dowty firmed 5 to 158p and Blumel Bros. 4 to 58p, while Fodens put on 2 to 56p. ERF, however, opened higher at 130p on anticipation of further speculative demand but reacted in its absence to close a penny cheaper on balance at 125p. Among Garages and Distributors, British Car, 40p, and T. Cowie, 39p, improved 2 apiece, while B. Ferry firmed 3 more to a fresh peak for the year of 173p.

In Paper/Printings, Sir Joseph Causton rose 5 to 18p, after 19p, buyers hoping for much improved preliminary results to-day.



BP fall late

British Petroleum traded quietly in front of the third-quarter figures. However, the market reaction to news of profits well below expectations was to lower the price to 910p. But, in the absence of sellers, the mark-down proved excessive and a gradual recovery ensued to 916p: after-hours' trade became more active on news that a large line of stock was on offer in America and BP subsequently reacted to 898p before settling 20 down on the day at 900p. Final dealings in the partly-paid were small and, after much less volatile conditions, the close was 8 easier at 375p, after 382p. Shell moved in sympathy with BP and lost 10 to 556p. The only other feature in Oils was Oil Exploration, which encountered fresh speculative demand up to 326p before profit-taking pared the rise to 4 at 316p.

The Property leaders were narrowly mixed. After Wednesday's rise of 5 in response to the annual profits and increased dividend, MEPC came back 2 to 116p. Land Securities eased the turn to 196p, but Samuel gained 2 more to 82p. Firm spots among secondary issues included Hammerson A, 10 up at 547p, and Glanfield Securities, which rose 5 to 280p. P. Bilton at 156p, recovered most of Wednesday's fall of 5.

Against the general trend, Investment Trusts held firm and closed at the day's best. British Investment Trust Convertible met with institutional support and gained 4 to 161p, but the ordinary closed unaltered at 162p; the offer of a guaranteed minimum of 165p per share from the National Coal Board has been extended to December 12. Electric and General ended 5 better at 67p as did Border and Southern, at 273p, while Rothschild were 4 up at 170p. Among Financials, Scottish and Mercantile A put on 5 more to 116p.

Furness Withy, at 328p, gave up 8 of the previous day's advance of 10. Elsewhere in Shippings, Lofs edged forward a penny to 40p ahead of next Monday's interim figures.

Scattered gains in the Textile sector took in Dawson International, 113p, and S. Lyles, 62p, up 4 apiece, and J. Haggas, which closed 8 dearer at 413p. Leeds and District Dyers hardened a penny to 76p in response to the proposed scrip issue. In contrast, Sidlaw, a recent speculative favourite, reacted 4 to 98p. Among Tobaccos, further consideration of the interim results left Rothmans International 1½ cheaper at 50p, while the midway slowing in profits growth prompted renewed dullness in Dunhill, down 23 more at 385p.

Among Plantations, Deundi were marked up 15 to match the increased bid terms worth 180p per share from Rightwise, while Castlefield put on 10 to 195p following demand in a restricted market.

Golds steady

It was a quiet day in mining markets generally with South African Golds a shade firmer on balance. But there was an initial downward movement, and the sector reflected the lack of direction in the bullion price, which was finally unchanged at $160.125 per ounce, in the aftermath of the South African election result which returned Mr. Vorster's National Party to power.

Dealers awaited the first of the December gold mine dividend declarations — those of the "Johnnies" group—and business remained at a very low level.

Price changes in heavyweights were restricted to an ½ with Free State Geduld that amount firmer at £12½, while lower priced stocks were again featured by the strength of Grootvlei, 5 up at 123p, and Marievale, which rose another 4 to a 1977 high of 118p. West Rand Consolidated, a firm market of late following talk of a sharp increase in the final dividend, eased back to close 8 cheaper at 197p.

Among South African Financials De Beers were 3 easier despite news of the company's major expansion plans.

A Cape demand lifted Platinums with improvements of 3 common to both Bishopsgate, 58p, and Rustenburg, 71p and Lydenburg 2 harder at 56p.

Home-based Financials were featured by Rio Tinto-Zinc which rose to 190p prior to the House of Lords judgment, in favour of RTZ, related to its role in part of Westinghouse's uranium litigation, before moving further ahead to close 5 higher at 192p. Selection Trust rose 2 to 398p.

Elsewhere, Australians lost ground following profit-taking, while in Tins Killinghall advanced 40 to a 1977 high of 400p on consideration of the increased dividend.

FINANCIAL TIMES STOCK INDICES

	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 25	Nov. 24
Government Secs.	73.99	73.99	73.74	74.01	74.32	74.08
Fixed Interest	77.09	77.12	77.20	77.45	77.40	77.72
Industrial Ordinary	479.8	481.0	474.1	464.5	466.0	456.7
Gold Mines	146.5	146.2	145.2	145.0	139.4	143.2
Ord. Div. Yield	5.57	5.55	5.61	5.72	5.70	5.83
Earnings Y'ld % (full)*	15.78	15.72	15.91	17.24	17.20	17.50
P/E Ratio (net) (*)	8.46	8.49	8.40	8.24	8.26	8.19
Dealings marked	4,689	4,153	4,182	4,657	5,451	5,131
Equity turnover £m.	—	84.29	66.58	64.41	82.84	79.24
Equity bargains total	—	13,533	12,894	11,907	16,111	13,401

10 a.m. 482.7. 11 a.m. 482.7. Noon 480.8. 1 p.m. 479.7. 2 p.m. 478.4. 3 p.m. 478.5.
Latest Index 01-246 8026.
*Based on 52 per cent. corporation tax. †Nil=8.46.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	80.50 (1/10)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (13/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 1	Nov. 30
Daily Gilt-Edged	155.5	[illegible]
Industries	146.3	[illegible]
Speculative	[illegible]	[illegible]
Totals	[illegible]	[illegible]
5-day Average Gilt-Edged	158.0	[illegible]
Industries	151.5	[illegible]
Speculative	31.6	[illegible]
Totals	105.3	[illegible]

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov. 22	Dec. 5	Feb. 23	Mar. 7
Dec. 6	Dec. 19	Mar. 9	Mar. 21
Dec. 20	Jan. 10	Mar. 30	Apr. 11

For rate indications see end of Share Information Service

Money was given for the call of Wm. Press, Ladbroke Warrants, Brittania Arrow, Bell Electronics, Kwik-Fit, Wheessoe, Commercial Union, Consolidated Gold Fields, Channel Ship Repairers, Wedgwood and Henlys. Marks and Spencer and Wheessoe were dealt in for the put, while double options were arranged in Land, Racal Electronics, Kwik Fit and J. Coral.

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs or Lows for 1977.

NEW HIGHS (45)

CANADIANS (1): Pacific Petroleum
BANKS (1): Allied Irish
BUILDINGS (3): Amal. Dist. Products, Bryant, [illegible]
CHEMICALS (1): Willows Francis
STORES (4): Church, Home Charm, NSS Newspapers, Selincourt
ELECTRICALS (1): Thorpe (F. W.)
ENGINEERING (3): GEI Intl., Mitchell Somers, Meggitt
FOODS (1): Bluebird Conf.
INDUSTRIALS (12): Allied Polymer, Rotaprint, Courtney Pope, Rowan and Boden, First Castle, Silverthorn, Kleen-E-Ze, Simpson (S.) "A", Leigh Interests, Sketchley, Norton and Wright, United Guarantee
MOTORS (2): Gates (F. G.), [illegible]
NEWSPAPERS (2): Benn Brothers, Routledge & K. Paul
PAPER (1): Causton (Sir J.)
SHOES (1): Stylo
TRUSTS (8): Edinburgh/Am. Trust, Scottish Cities "A", Glendevon Inv., W. Coast and Texas, Do. "B", Scot. and Mer. "A", Gresham Inv., Yule Catto
OVERSEAS TRADERS (1): Nigerian Elec.
RUBBERS (2): Bradwall, Castlefield
MINES (2): Marievale, Killinghall

NEW LOWS (2)

AMERICANS (1): Chrysler
OVERSEAS TRADERS (1): Australian Agri.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	2	[illegible]	[illegible]
Corpns. Dominion and Foreign Bonds	14	[illegible]	[illegible]
Industrials	465	[illegible]	[illegible]
Financial and Prop.	257	[illegible]	[illegible]
Oils	5	[illegible]	[illegible]
Plantations	10	[illegible]	[illegible]
Mines	32	[illegible]	[illegible]
Recent Issues	17	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or —
845	£4	[illegible]	400	343	BP Cpt.	375	-2
104	F.P.	[illegible]	113	109	Farmer (S.W.)	109	
53	F.P.	[illegible]	63	50	Holden (A.)	63	+2
52	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	57	+1
62	F.P.	18/11	74	62	South Crofty	70	

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price £	+ or —
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Agric. Mort. Var. Rate 1982	99¾	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bath (City of) 11½% Red. 1985	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. Variable Rate 1983	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cardiff City Council 11½% Red. 1986	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	York Trailer 10% Pref.	108p	+½

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or —
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Irish Banks	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	ATV A	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Barratt Development	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bridport-Gundry	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Commercial Union	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cons. Gold Fields	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cowie Leisure	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Deutsche Bank	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	East Midland Allied Press A	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Kwik Save Discount	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Newman Ind.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. *a* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. *F* Dividend and yield based on prospectus or other official estimates for 1978. *Q* Gross. *T* Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *pt* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). • Provisional or partly-paid allotment letters. ★ With warrants. ⊕ After suspension.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
BP (Partly-paid)	£1	13	375	-2	480	343
Shell Transport	25p	13	556	-10	635	454
Racal Electronics	25p	12	208	-2	270	118
BP	£1	11	900	-20	966	775
Commercial Union "New"	Nil/pd.	10	31pm	—	41pm	2pm
Distillers	50p	10	174	-1	193	120
ICI	£1	10	362	—	446	325
Beecham	25p	9	623	—	663	372
EMI	50p	9	217	—	254	169
GEC	25p	9	240	-4	254	164
RTZ	25p	9	192	+5	247	173
BATs Defd.	25p	8	250	—	260	202
Grand Met.	50p	8	97	—	108	62
GUS "A"	25p	8	312	-4	347	176
Midland Bank	£1	8	375	+2	378	245

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs. Dec. 1, 1977 Index No.	Day's Change %	Est. Earnings Yield % (Max.) (Corp. Tax 52%)	Gross Div. Yield % (ACT at 34%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Wed. Nov 30 Index No.	Tues. Nov 29 Index No.	Mon. Nov 28 Index No.	Fri. Nov 25 Index No.
1 CAPITAL GOODS(172)	198.85	+0.3	17.56	5.80	8.06	198.31	196.69	193.48	193.90
2 Building Materials(28)	183.78	+0.3	16.64	5.90	8.56	183.28	182.42	179.71	180.37
3 Contracting, Construction(26)	317.75	+1.6	18.22	3.98	7.98	312.71	310.72	305.79	305.88
4 Electricals(15)	418.43	-1.1	14.93	4.05	9.71	423.18	417.89	409.78	413.71
5 Engineering (Heavy)(9)	283.18	+0.8	20.64	6.40	6.51	281.04	276.66	272.11	270.15
6 Engineering (General)(67)	157.88	+0.8	19.05	7.04	7.40	156.55	155.28	152.45	152.56
8 Machine and Other Tools(8)	110.07	-0.3	21.55	5.88	6.76	110.35	108.58	105.69	104.99
9 Miscellaneous(33)	154.06	+0.5	19.11	7.96	6.97	153.27	153.32	152.83	153.16
CONSUMER GOODS									
11 (DURABLE)(53)	190.57	-0.2	16.71	4.62	8.73	191.00	188.82	185.12	186.11
12 Lt. Electronics, Radio TV(15)	228.77	-0.3	14.70	3.37	9.81	229.44	227.32	222.13	[illegible]
13 Household Goods(12)	178.95	+0.4	17.42	6.76	7.85	178.27	176.78	174.87	[illegible]
14 Motors and Distributors(26)	115.76	-0.3	19.73	6.12	7.58	116.09	114.25	112.36	112.57
CONSUMER GOODS									
21 (NON-DURABLE)(172)	196.63	+0.2	15.23	5.58	9.52	196.26	193.75	189.82	[illegible]
22 Breweries(14)	229.29	+2.0	12.74	5.48	11.85	224.74	220.95	217.88	[illegible]
23 Wines and Spirits(6)	239.11	-0.6	14.77	5.29	10.40	240.54	235.57	229.71	[illegible]
24 Entertainment, Catering(17)	251.62	—	14.31	6.84	10.66	251.53	247.69	243.39	[illegible]
25 Food Manufacturing(22)	192.20	-0.2	20.87	5.49	6.90	192.68	191.43	187.80	[illegible]
26 Food Retailing(16)	203.30	+0.2	13.07	4.40	11.13	202.86	202.21	196.52	[illegible]
32 Newspapers, Publishing(14)	326.34	—	9.95	3.76	11.20	326.43	324.84	323.73	[illegible]
33 Packaging and Paper(13)	123.53	-0.5	21.48	7.56	6.77	124.18	123.92	121.87	[illegible]
34 Stores(37)	186.98	+0.3	10.15	4.17	15.56	186.45	185.49	181.52	[illegible]
35 Textiles(24)	165.65	+0.4	20.82	8.02	6.07	164.99	165.31	163.53	[illegible]
36 Tobaccos(3)	216.10	-0.1	21.96	8.32	6.08	216.39	212.80	208.86	[illegible]
37 Toys and Games(6)	100.23	-0.1	20.10	5.93	6.84	100.32	102.44	102.29	[illegible]
41 OTHER GROUPS (98)	257.66	-0.1	15.65	5.45	8.83	257.92	255.29	251.09	[illegible]
42 Chemicals(17)	120.78	-0.2	18.88	4.75	7.06	121.04	120.12	117.84	[illegible]
43 Office Equipment(6)	456.97	—	21.52	6.41	5.50	457.07	448.44	441.26	441.51
44 Shipping(10)	212.32	+0.4	16.20	6.93	8.84	211.44	208.97	206.16	[illegible]
45 Miscellaneous(65)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 INDUSTRIAL GROUP (495)	201.44	+0.1	16.20	5.66	8.76	201.13	198.97	195.72	[illegible]
51 Oils(4)	502.14	-2.0	13.86	3.90	8.77	512.19	510.06	502.75	[illegible]
59 500 SHARE INDEX	226.06	-0.2	15.82	5.38	8.77	226.51	224.51	220.59	[illegible]
61 FINANCIAL GROUP(100)	163.34	+0.8	—	5.31	—	162.07	160.94	157.67	[illegible]
62 Banks(6)	185.35	+2.0	25.46	5.24	6.60	181.69	181.41	[illegible]	[illegible]
63 Discount Houses(10)	201.77	+1.6	—	8.18	—	[illegible]	[illegible]	[illegible]	[illegible]
64 Hire Purchase(5)	161.71	+0.4	10.56	4.67	14.09	160.99	158.96	153.77	[illegible]
65 Insurance (Life)(10)	133.63	+0.7	—	6.20	—	132.70	132.10	[illegible]	[illegible]
66 Insurance (Composite)(7)	126.86	+0.9	—	6.35	—	125.70	[illegible]	[illegible]	[illegible]
67 Insurance Brokers(10)	328.23	+1.7	12.94	4.15	11.32	322.89	317.04	312.08	[illegible]
68 Merchant Banks(14)	81.49	+1.9	—	5.75	—	79.93	78.78	77.71	[illegible]
69 Property(31)	219.32	+0.2	3.05	2.95	62.94	218.23	214.28	210.09	[illegible]
70 Miscellaneous(7)	104.81	+1.8	12.80	7.30	6.61	102.90	102.67	100.90	[illegible]
71 Investment Trusts(50)	199.22	+1.2	3.00	4.43	33.28	196.93	194.84	192.11	[illegible]
81 Mining Finance(4)	90.09	+1.0	17.50	6.50	6.65	89.13	87.55	86.88	[illegible]
91 Overseas Traders(19)	273.48	+0.8	16.18	6.89	8.04	271.35	271.46	265.75	[illegible]
99 ALL-SHARE INDEX(673)	208.59	+0.1	—	5.37	—	208.45	206.52	202.89	[illegible]

FIXED INTEREST PRICE INDICES

British Government	Thurs. Dec. 1	Day's change %	xd adj. To-day	xd adj. 1977 to date
1 Under 5 years	108.09	-0.20	0.12	8.25
2 5-15 years	121.42	—	—	7.71
3 Over 15 years	127.32	-0.06	—	11.73
4 Irredeemables	137.47	+0.63	0.22	13.54
5 All stocks	116.31	-0.07	0.05	9.56

FIXED INTEREST YIELDS

Br. Govt. Av. Gross Red.		Thurs. Dec. 1	Wed. Nov. 30
1 Low Coupons	5 years	7.37	7.51
2	15 years	9.99	10.05
3	25 years	10.70	10.76
4 Medium Coupons	5 years	9.95	9.97
5	15 years	10.85	10.87
6	25 years	11.07	11.07
7 High Coupons	5 years	10.35	10.38
8	15 years	11.16	11.16
9	25 years	11.59	11.59
10 Irredeemables		11.51	11.50

	Thurs., Dec. 1 Index No.	Yield %	Wed. Nov. 30	Tues. Nov. 29	Mon. Nov. 28	Friday Nov. 25	Thurs. Nov. 24	Wed. Nov. 23	Tues. Nov. 22
15 20-yr. Red. Deb. & Loans (15)	61.31	12.09	61.91	61.90	61.95	61.81	61.91	61.96	61.94
16 Investment Trust Prefs. (15)	56.91	12.70	56.64	56.64	56.94	57.14	57.14	57.14	57.14
17 Coml. and Indl. Prefs. (20)	76.95	11.89	76.91	77.19	77.22	77.26	77.26	77.64	77.64

† Redemption yield. * Corrected. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 12p, by post 22p.

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OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

G.T. Unit Managers Ltd.♥
16, Finsbury Circus EC2M 7DD 01-628 8131

G.T Cap Inc	76.3	81.3		3.28
Do. Acc	90.3	96.0		3.29
G.T Inc Fd. Un	154.1	163.9		8.00
G.T U.S & Gen	134.3	142.8		2.80
G.T Japan & Gen	219.6	233.6		1.10
♦Gt Pens Ex.Fd	133.0	139.6		2.90
G.T Int'l Fund	107.3	114.1		2.50
G.T Four YdsFd	52.5	55.6xd		7.35

♥G. & A. Trust (a) (g)
5, Rayleigh Rd., Brentwood (0277) 227300

G.& A.	30.6	32.7xd		4.74

CLIVE INVESTMENTS LIMITED
Royal Exchange Ave., London EC3V 3LU. Tel. 01-283 1101
Index Guide as at 22nd November, 1977 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	130.81
Clive Fixed Interest Income	123.14

CORAL INDEX: Close 477-482

INSURANCE BASE RATES

† Property Growth	6¼%
Cannon Assurance	2 %

† Address shown under Insurance and Property Bond Table.

BASE LENDING RATES

A.B.N. Bank	7½%	■ Hambros Bank	7 %
Allied Irish Banks Ltd.	7½%	■ Hill Samuel §	7 %
American Express Bk.	7 %	C. Hoare & Co. †	7 %
Amro Bank	7½%	Julian S. Hodge	8½%
A P Bank Ltd.	7 %	Hongkong & Shanghai	7 %
Henry Ansbacher	7½%	Industrial Bk. of Scot.	7 %
Banco de Bilbao	6 %	Keyser Ullmann	7 %
Bank of Credit & Cmce.	7½%	Knowsley & Co. Ltd.	9 %
Bank of Cyprus	6 %	Lloyds Bank	7 %
Bank of N.S.W.	7½%	London & European	8½%
Banque Belge Ltd.	6 %	London Mercantile	6 %
Banque du Rhone	8 %	Midland Bank	6¾%
Barclays Bank	6 %	■ Samuel Montagu	6½%
Bennett Christie Ltd.	7 %	■ Morgan Grenfell	7 %
Bremar Holdings Ltd.	8½%	National Westminster	7½%
Brit. Bank of Mid. East	7 %	Norwich General Trust	7 %
Brown Shipley	7 %	P. S. Refson & Co.	7 %
Canada Permanent AFI	7½%	Rossminster Accept'es	7½%
Capitol C & C Fin. Ltd.	9 %	Royal Bk. Canada Trust	7½%
Cayzer Ltd.	7½%	Schlesinger Limited	7½%
Cedar Holdings	7 %	E. S. Schwab	9 %
Charterhouse Japhet	6 %	Security Trust Co. Ltd.	8½%
C. E. Coates	8½%	Shenley Trust	8 %
Consolidated Credits	7½%	Standard Chartered	7½%
Co-operative Bank *	7 %	Trade Dev. Bank	7½%
Corinthian Securities	6 %	Trustee Savings Bank	7 %
Credit Lyonnais	6 %	Twentieth Century Bk.	8½%
Duncan Lawrie ¶	7½%	United Bank of Kuwait	7 %
Eagil Trust	7½%	Whiteaway Laidlaw	7½%
English Transcont.	8 %	Williams & Glyn's	7½%
First London Secs.	7½%	Yorkshire Bank	7½%
First Nat. Fin. Corpn.	8 %		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	7 %		
Grindlays Durrant Trust	6 %		
Greyhound Guaranty	7½%		
Grindlays Bank ‡	7½%		
Guinness Mahon	7 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%. 1-month deposits 4½%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 4½% and over £25,000 5%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 4½%.
¶ Rate also applies to Sterling Ind. Secs.

FOOD PRICE MOVEMENTS

	Dec. 1 £	Week ago £	Month ago £
...N			
...anish A.1 per ton	1,010	1,010	970
...ritish A.1 per ton	1,010	1,000	970
...ish Special per ton	1,000	1,000	945
...lster A.1 per ton§	1,000	1,000	945
...ER (packets)			
...Z per 20 lbs	10.94-11.12	10.94-11.05	10.94-11.05
...nglish per cwt†	63.03	63.03	62.05
...anish salted per cwt†	69.15-71.43	69.15-71.43	69.15-71.43
...SE¶			
...Z per tonne	1,161-1,208	1,161-1,183	1,130
...nglish cheddar trad. per tonne	1,219.42	1,219.42	1,219.42
...ome-produced:			
Size 4	3.90-4.10	3.60-3.90	—
Size 2	4.30-4.60	4.10-4.40	—

	Dec. 1 per pound d d	Week ago per pound d d	Month ago per pound d d
...cottish killed sides (ex-KKCF)	44.0—48.0	44.0—48.0	45.0—49.0
...ire forequarters	29.0—32.0	29.0—32.0	31.0—33.0
...B			
...English	46.0—49.0	46.0—50.0	44.0—51.0
...NZ PLs-PMs	47.0—48.0	45.0—48.5	44.0—48.0
...TON			
...nglish ewes	—	—	—
... (all weights)	34.0—42.0	36.0—42.0	35.0—42.0
...TRY			
...roiler chickens	29.8—31.0	30.0—33.40	30.0—34.0

London Egg Exchange price per 120 eggs. † Delivered. Delivery December 3-10.

Welfare Insurance Co. Ltd.♥
The Leas, Folkestone, Kent 0303 57333

Moneymaker Fd	99.3			—

For other funds, please refer to The London & Manchester Group.

Windsor Life Assur. Co. Ltd.
1 High Street, Windsor Windsor 68144

Life Inv Plans	68.0	71.6		—
FutureAssd.Gth(a)	25.0			—
FutureAssd.Gth(b)	55.0			—
Ret. Assd Pens	£27.75			—
Flex. Inv Growth	108.3	114.0		—

NOTES

Prices do not include $ premium, except where indicated ♣, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U K taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♠. ¶ Guernsey gross. ♯ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S. E. List Premium 38¾% (based on $US1.8175 per £)

Conversion factor 0.7235 (0.7247)

CANADIANS

[illegible]

S.E. List Premium 38¾% (based on $2.0145 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]								

INSURANCE

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]								

INSURANCE—Continued

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]								

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]								

Commercial Vehicles

[illegible]								

Components

[illegible]								

Garages and Distributors

[illegible]								

NEWSPAPERS, PUBLISHERS

[illegible]								

PAPER, PRINTING ADVERTISING

[illegible]								

PROPERTY

[illegible]								

PROPERTY—Continued

[illegible]								

SHIPBUILDERS, REPAIRERS

[illegible]								

SHIPPING

[illegible]								

SHOES AND LEATHER

[illegible]								

SOUTH AFRICANS

[illegible]								

TEXTILES

[illegible]								

TOBACCOS

[illegible]								

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]								

INV. TRUSTS—Continued

[illegible]								

Finance, Land, etc.

[illegible]								

FINANCE, LAND—Continued

[illegible]								

OILS

[illegible]								

OVERSEAS TRADERS

[illegible]								

RUBBERS AND SISALS

[illegible]								

TEAS

India and Bangladesh

[illegible]								

Sri Lanka

[illegible]								

Africa

[illegible]								

MINES

CENTRAL RAND

[illegible]								

EASTERN RAND

[illegible]								

FAR WEST RAND

[illegible]								

O.F.S.

[illegible]								

FINANCE

[illegible]								

DIAMOND AND PLATINUM

[illegible]								

MINES—Continued

CENTRAL AFRICAN

[illegible]								

AUSTRALIAN

[illegible]								

TINS

[illegible]								

COPPER

198	102	Messina R0.50	102	......	Q30c	φ	20.6	

MISCELLANEOUS

9½	9	Burma Mines 17½p.	9	......	—	—	—	
112	58	Colby Mines SC1	109	......	—	—	—	
600	250	Cons. Murch. 10c	260	+10	‡Q140c	1.4	‡	
475	275	Northgate C$1	300	......	—	—	—	
247	173	R.T.Z.	192	+5	†8.5	q3.1	6.7	
70	28½	Sabina Inds. C$1	37½	+1	—	—	—	
£14¾	875	Tara Exptn. $1	£10	+¼	—	—	—	
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1	
160	121	Yukon Cons. C$1	135	......	Q7c	φ	3.1	

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ☆ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1978. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

[illegible]			

IRISH

[illegible]		

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	12	Tube Invest.	30
A.P. Cement	19	I.C.I.	25	Unilever	40
B.S.R.	11	"Imps"	7	Utd. Drapery	7½
Babcock	10	I.C.L.	20	Vickers	15
Barclays Bank	25	Inveresk	7	Woolworths	6
Berry Wiggins	5	Ladbroke	17	**Property**	
Beecham	38	Legal & Gen.	14	Brit. Land	3¼
Boots Drug	15	Lex Service	6	Cap. Counties	5
Bowaters	16	Lloyds Bank	22	E.P.	5
B.A.T.	24	"Lots"	5	Intreuropean	5
British Oxygen	6	London Brick	5	Land Secs.	18
Brown (J.)	20	Lonrho	7	MEPC	12½
Burton 'A'	9	Lucas Inds.	25	Peachey	10
Cadburys	5	Lyons (J.)	13	Samuel Props.	10
Courtaulds	10	"Mams"	7	Town & City	2
Debenhams	10	Mrks. & Spncr	13	**Oils**	
Distillers	13	Midland Bank	25	Brit. Petroleum	45
Dunlop	8½	Nat. West. Bank	22	Burmah Oil	7
Eagle Star	11	Do. Warrants	10	Shell	28
E.M.I.	18	P & O Dfd.	12	Ultramar	22
Gen. Accident	17	Plessey	9	**Mines**	
Gen. Electric	16	R.H.M.	5	Charter Cons.	12
Glaxo	40	Rank Org. 'A'	18	Charterhall Fin.	3½
Grand Met.	9	Reed Intl.	18	Cons. Gold	20
G.U.S. 'A'	18	Reyrolle	20	Rio T. Zinc	16
Guardian	18	Spillers	4		
G.K.N.	22	Tesco	4		
Hawker Sidd.	60	Thorn 'A'	22		
		Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday December 2 1977

New snags over share-out of order for Polish ships

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BRITISH Shipbuilders yesterday ran into more snags in sharing out the seven-ship Polish order forfeited by Swan Hunter when it emerged that Sunderland Shipbuilders was unable to meet the production schedules required.

Sunderland has told its parent corporation that it now hopes to receive a £50m. order from India to build six general purpose cargo ships and that they would fill its order book well into the 1980s.

British Shipbuilders had hoped that Sunderland would take at least one of the bulk carriers lost by nearby Swan Hunter as a result of the refusal by the yard's 1,700 outfitters to lift an overtime ban and so guarantee non-disruptive working on the Polish ships.

Yesterday's developments indicate just how much difficulty British Shipbuilders is having in finding building berths for a substantial project without recourse to its biggest yard, Swan Hunter.

The latest indications are that th etwo ships Sunderland says it cannot build will go to its neighbour on the Wear, Austin and Pickersgill.

But A & P's order book is among the longest in the industry, stretching into 1979, and some rescheduling of its programme could be necessary for it to take on bulk carriers due for delivery in the earlier phase of the Polish contract.

One yard with some remaining space capacity is Govan on the Clyde, but the attitude of the workforce there to taking work from the Tyne remains doubtful following shop stewards' response to the announcement on Wednesday that th eyard would be given one 16,500-tonner in addition to the 10 4,400-tonners on which work has already begun.

A meeting of 130 Govan shop stewards yesterday simply "noted the offer of the extra ships and endorsed an earlier statement that Tynesides problems should be solved on the Tyne.

Outfitters shop stewards at Swan Hunter yesterday formally called on workers at other yards to black the seven bulk carriers.

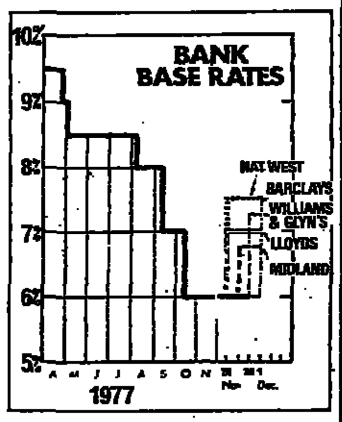
Barclays raises lending base rate to 7½%

BY MICHAEL BLANDEN

BARCLAYS BANK is raising its base rate for lending by 1½ per cent. to 7½ per cent., the last of the big four banks to respond to last week's 2 per cent. jump, to 7 per cent., in the Bank of England's minimum lending rate.

The change puts Barclays in line with National Westminster at the top end of the present range of base rates. These vary upwards from Midland at 6½ per cent. through Lloyds at 7 per cent. and Williams and Glyn's at 7¼ per cent.

Barclays, however, now offers the best rate on deposits after increasing the seven-day rate by 1½ per cent. to 4½ per cent., compared with 4 per cent. at NatWest, which took the opportunity to widen its margins.



The variations among the banks were extended further as two overseas banks, Grindlays and Standard Chartered, moved their base rates to 7½ per cent., but the Co-operative Bank and the Trustee Savings Banks went to 7 per cent.

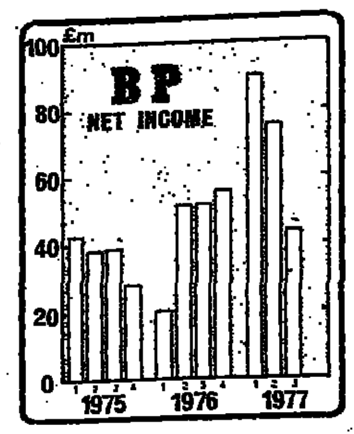
Barclays had left its decision on rates until money markets became more settled, in contrast with NatWest, which moved early on Monday. With both the big banks now agreed on a 7½ per cent. base rate, the chances must be that the banks as a whole will in time settle near that level.

Peter Riddell, Economics Correspondent writes: The formal consultations between an International Monetary Fund inspection team and the Treasury are likely to finish to-day. At one stage it seemed possible that the talks, started 10 days ago, would spill over into next week. But there have apparently been no major areas of difficulty in fairly straightforward discussions.

THE LEX COLUMN

Losses gushing in Europe for BP

Index fell 1.2 to 479.8



BP's experience in the glutted oil product markets of North-Western Europe has turned from bad to dreadful, and although hopes have not been very high for the third quarter figures in the light of Shell's dreary performance, an outturn of £44.1m. in net income terms for July-September is maybe £10m. worse than recent City forecasts. With overall volume a little higher than in the second quarter it looks as though BP has been trying to hold market share at the expense of profits, and excluding Forties the group must have been showing a loss. To make matters worse an initial loss on the Alaskan pipeline was not offset by a slight rise in BP's share of earnings of Sohio.

Without a clawback of some of the U.K. corporation tax provided in the first quarter BP's recent net income decline would have been sharper. And while the final three months should be a little better the improvement is unlikely to be dramatic. On the plus side the Forties contribution will increase again and the stake in Sohio has risen to 40 per cent. But there seems little hope of much if any improvement in the downstream losses in Europe.

It is no longer possible that BP will achieve earnings of 90p a share this year, and 75p may be nearer the mark. More crucially, projections for 1978 need to be scaled down to reflect the European problems, and expectation are probably now nearer 160p than 180p. The fully-paid shares lost 20p to 900p yesterday, not so much on the profits news as on stories that Salomon in New York were trying to unload shares recently sold by Burmah.

Bass Charrington

Bass Charrington faced much the same sort of problems as Whitbread in its second half—strikes, a dismal summer and a squeeze on consumer spending. But whereas Whitbread's interim profits slipped slightly, Bass's second half pre-tax profits (which cover roughly the same period) are 36 per cent. higher.

Admittedly, the absence of last year's £11.9m. provisions for wine stocks and exchange differences on overseas borrowings helped considerably. Even so preliminary pre-tax profits of £90.4m. are 12.3 per cent. ahead, after adjusting for these items, and Bass appears to have continued to outperform its rivals in most of its major markets.

The latest figures show that U.K. beer production fell by 1.3 per cent. in the first ten months of 1977. But Bass has managed just about to hold its sales volumes with its above average exposure to lager offsetting some decline in more traditional areas. And although lager sales growth has slowed down noticeably this year, principally due to the weather, the real problem for Bass, as with all the brewers, lies on the prices front. Mr. Hattersley has still not shown his hand yet, and until he does brewery shares are unlikely to continue significantly to outperform the market. At 161p, Bass Charrington yields 6.1 per cent.—a full point less than the All-Share index.

Nat. & Commercial

Astonishingly, National and Commercial Banking has pushed up its growth in operating profits from 5 per cent. in the first half to 12 per cent. in the second, despite a drop in average base rate from 13 to 8.4 per cent. between the two periods. For the full year pre-tax profits are 11 per cent. higher at £64.1m. good enough to put the shares 4p higher. The explanation appears to be that the wholesale money book threw up sizeable profits while rates were tumbling, and meantime the drop in endowment profits was offset by a widening or more than a point in the margin between base and branch deposit rates. But the first few months of the current year are being affected by both low base rates and narrow margins, while loan demand remains slack, factors which will show up more strongly in the forthcoming calendar year figures for London clearers. At 74p the shares yield 5.5 per cent. covered five times.

Racal

After the events of recent weeks, Racal's interim statement needed to be reassuring and it is. Unlike many companies the group is not worried about its export margins, and export sales for the year to next March are going to rise by a third or more, upwards of £100m. Profits are forecast to rise from £32.7m. "in excess of £45m." which, according to the analysts means that hopes of over £50m. are reasonable.

This figure will take in initial contribution of £4m., so net of finance costs from the Milgo acquisition in the U.S. and will reflect further substantial progress in tactical communications equipment. The main disappointment lies in strategic systems, where profits are stagnating. But Racal is expecting a major step forward in this area next year, thanks in particular to big orders for surveillance systems.

Meanwhile cash balances are building up in the U.K. By the end of this year, they could be in the region of £40m., and part of the dollar borrowings has recently been refinanced by a currency swap.

But the share price, which has lost a lot of status since the summer, needs further boosters. So the outcome of the tender for development work on the major SINCGARS-V contract in the U.S. — expected late next year — may assume great significance, as may the plans to get an over-the-counter listing in the U.S. The market capitalisation is £236m. at 200p.

Stockbuilding

In the first half of 1977 book value of manufacturing stocks was rising at an annual rate of £6.4bn. and the corporate sector was running up a deficit comparable to that of 1974. However, a third quarter increase of just £267m. paints a more assuring financial picture. It also helps explain the apparent sluggishness in bank lending to industry, and while the disappearance of stock appreciation has already hit reported historical costs profits the outlook for real profits is encouraging.

Target for NEB is 15-20% profit

By John Elliott, Industrial Editor

THE NATIONAL Enterprise Board is to aim at a return on capital employed of between 15 and 20 per cent. by 1981 on all its assets apart from British Leyland and Rolls-Royce, which are to be treated separately.

This target has been agreed after an assessment by the NEB of its future potential. It was announced yesterday by Mr. Eric Varley, Secretary for Industry, after talks with the Treasury.

It is reltaed to an estimate that manufacturing industry should be turning in 20 per cent. by 1981 and compares with the 13.4 per cent. (excluding Leyland and Rolls-Royce) recorded by the NEB in the first six months.

British Leyland and Rolls-Royce have been excluded, first, because neither company has advanced sufficiently with the NEB in finalising its future plans, second, and more important, they are the NEB's two largest problem companies and their exclusion makes it easier to assess the basic financial viability of the NEB's other work.

The extent of the effect they would have on the figures is shown by the fact that the 13.4 per cent. figure would come down to 6.3 per cent. if they were included.

These figures are profits before Government interest and taxation are deducted.

Two other troubled companies which the NEB inherited when it came into being two years ago, Alfred Herbert and Ferranti, are included because the size of their businesses and their problems are not so great.

Any ailing companies taken over in future by the NEB on the instruction of the Government, as opposed to companies it invests in of its own accord, will, however, be excluded from the general "financial duty" the NEB now has to aim at its new target.

This is the first time that the NEB has had its financial duties set down by the Government since it was created two years ago and it underlines its role as an investor in companies which it regards as viable as well as a holding organisation for major problem concerns.

This aspect of its work would almost certainly be ended by a future Conservative Government, judging by present thinking among senior Conservative politicians, although the NEB might be kept in being to look after the problems.

The NEB has been expanding its investment in small and medium sized concerns recently. Earlier this week it emerged as the potential holder of a £755,000 profit as a result of a take-over bid for one of its companies, Reed and Smith.

Mid-East 'hawks' open conference in Tripoli

BY ANTHONY McDERMOTT

THE CONFERENCE of those States and parties most opposed to President Sadat's peace initiative towards Israel opened in Tripoli, the Libyan capital, yesterday.

Syria, Algeria, and South Yemen all sent their heads of State. The Palestinians were represented by Mr. Yassir Arafat, leader of the Palestine Liberation Organisation, and Dr. George Habash, head of the radical Popular Front for the Liberation of Palestine.

Perhaps most surprising was the last-minute attendance of a delegation from Iraq, which plans to hold a rival "rejectionist" conference in Baghdad next week. The Iraqi delegation was led by Mr. Taha Jazrawi, a senior member of the Iraqi Revolutionary Command Council.

Iraq's presence was the result of mediation by Mr. Arafat, and its last-minute decision to attend was one more reminder of the deep divisions which exist among the five States and two Palestinian groups beneath the surface of unity.

President Assad of Syria summed up the dilemma when he said: "We are here to pass a resolution on the Egyptian visit to Israel but what it will be depends on our talks here.

"What we want is solidarity of the Arab position against the Zionists."

While the conference may agree comparatively easily to condemn President Sadat, a united position against Israel may be harder to find.

Syria is reluctant to be dragged into the sort of extreme position adopted by Libya, Iraq or the PFLP, which reject any form of negotiated settlement with Israel.

The PLO is torn between being drawn into the PFLP's rejectionist camp and forming too close an alliance with Syria.

Both Moscow and Damascus, with an eye on the reconvening of the Geneva peace conference, have indicated in the last 48 hours a slight moderation in their official statements.

Still outstanding is the competition between Libya and Iraq (an arch-foe of Syria) for leadership of the hardliners in the Arab world.

This is reflected in what the Iraqi delegation said on its arrival in Tripoli yesterday. The main item of the conference, it declared, would be the Iraqi summit next week.

Kathleen Bishtawi reports from Amman: King Hussein yesterday described the Tripoli meeting as an "emotional reaction."

But during his hour-long session with the foreign Press, his discomfiture at being caught between the two rival camps in the Arab world—the "rejectionists" and those supporting President Sadat—was clear.

He was willing to mediate personally between Cairo and Syria, he said.

"We are weary of the concept that it is beneath the dignity of an Arab leader to sit and talk in any forum with our opponents." But he ruled out the possibility of visiting Jerusalem for talks with Israeli leaders on a settlement.

While praising Mr. Sadat's initiative and referring to him frequently as an Arab patriot, King Hussein expressed disappointment at not having been consulted beforehand.

Begin will urge U.K. to take softer line—Page 6

Anti-Marketeers will fight European elections every inch

BY RUPERT CORNWELL, LOBBY STAFF

THE GOVERNMENT may be forced to bring forward the vote on the method of elections to the European Parliament to make sure it is settled before Christmas, thus paving the way for the all-important gullotine motion early in the New Year.

Present plans are for just one further day in the committee stage of the Bill on December 13, and Mr. Michael Foot, Leader of the House, said yesterday he hoped that this would provide sufficient time for the choice between proportional representation and first-past-the-post.

But, as committee proceedings opened last night, anti-Marketeers served notice, with a barrage of points of order, that they will fight every inch of the way against direct elections legislation.

This means that the clause dealing with PR will probably not be attained.

In the Commons, the Conservatives furiously attacked Mr. Foot for his failure to provide a further day for progress next week.

Far from using the promised "best endeavours" to meet next summer's deadline, the Government was accused by Mr. William Whitelaw, the Tory Deputy Leader, of "making no endeavours at all."

Mr. Foot merely professed innocent surprise at the fuss.

The exact reasons for the Government's decision to omit the expected committee day next week, is something of a mystery.

Some Conservatives feel it represents a tactical victory for the Left-wingers in their struggle to block the Bill.

But the general feeling was that the move was intended to step up pressure on the Conservatives to accept PR, or else shoulder the blame for the U.K. missing the deadline.

Unilever discusses U.S. merger

FINANCIAL TIMES REPORTER

UNILEVER SAID last night that it was in merger talks with National Starch and Chemical Corporation of the U.S., which has sales of some $375m. of starches, adhesives, resins and other chemicals.

A complete take-over of National Starch would cost more than $300m.

For some time, the merger brokers of Wall Street have known that Unilever is interested in a substantial expansion of its business interests in the U.S.

In September, the company confirmed that it had made a tentative approach to Gerber Products, the baby foods group.

Last night's announcement had a more definite ring to it, however, and it seems likely that terms will be announced by the middle of next week.

National Starch is based in Bridgewater, New Jersey, and has had a good growth record over the past eight years.

Last year, 40 per cent. of its sales consisted of adhesives and resins for paper converting packaging and woodworking. Another 39 per cent. were starches for the food, paper and textile industries. The company has 3,730 employees, and does 35 per cent. of its business abroad.

Unilever currently has U.S. sales of around $1.2bn. divided between the Lipton tea business and the less successful Lever Brothers' detergent operation.

One of its problems in its ambitions to expand in the U.S. has been the watchful eye of the U.S. anti-trust authorities.

This may be the reason why National Starch appears to represent a new departure for the bidder.

British Steel cuts capital spending by £130m.

BY DAVID CHURCHILL

THE BRITISH STEEL Corporation has been forced to cut its capital spending programme by £130m. this year, and has reduced stocks and work in progress by between £120m. and £170m. to keep within the cash limit guidelines set by the Treasury.

This was disclosed yesterday by Mr. Eric Varley, the Industry Secretary, during questioning by the Commons Select Committee on British Steel.

Mr. Varley's figures on how British Steel was coping with its financial crisis were part of a memorandum which the Treasury is due to give to the select committee. This followed evidence to the committee last week by Mr. Joel Barnett, Chief Secretary to the Treasury.

According to Mr. Varley's figures, British Steel's capital spending this year is down to about £540m. "The deterioration in this year's estimated outturn since cash limits were established is between £250m. and £300m.," Mr. Varley added.

Mr. Varley, with Mr. Gerald Kaufman, Minister of State, made clear to the committee that the Government did not intend to be panicked over the crisis in the steel industry. British Steel announced record losses last week of £201m. for the first half of the year. The deficit for the year is expected to reach £500m.

Speculation that British Steel would cut its investment programme and make many workers redundant was attacked as inaccurate and premature by Mr. Varley in his evidence. He said that to close plants quickly would be "calamitous" and cause more problems for the country than it solved.

Mr. Varley and Mr. Kaufman were reluctant to give details of the options open to British Steel. Mr. Varley said it was up to the Corporation to manage its affairs and find an acceptable solution with unions.

A joint meeting of all sides was likely early in the New Year to consider progress. Meanwhile there would be further discussions between the Corporation and unions on the industry's

Blaming the present crisis largely on the world depression in steel, Mr. Varley told the committee that the size and prolonged duration of this recession could not have been predicted.

He acknowledged that the U.K. industry suffered from overmanning, obsolete plant, and too little investment. These must be overcome for the industry to become "viable" again.

Weather

U.K. TO-DAY

SUNNY INTERVALS with some showers. Fog and mist patches early on. Cold.

S.E. England, E. Anglia, E. England

Fog patches clearing. Scattered showers, bright intervals. Max. 5C (41F).

London, Cent. S. England, Midlands, Channel Is.

Fog patches clearing. Mostly dry, sunny intervals developing. Max. 6C (43F).

S.W. England

Cloudy, occasional rain. Max. 6C (43F).

Wales, N.W. England, Lakes Is. of Man, Cent. N. England

Fog clearing. Mostly dry bright or sunny intervals. Max. 5 or 6C (41 or 43F).

N. England, Borders, Edinburgh, Dundee, Aberdeen, S.W. Scotland, Glasgow, Cent. Highlands, Moray Firth, N.E. Scotland, Argyll

Freezing fog patches clearing slowly mainly dry. Sunny intervals. Max. 4C (39F).

N. Scotland, Orkney, Shetland.

Mainly dry, sunny intervals. Max. 6C (43F).

Outlook: Dry and cold with some overnight fog and frost. Wintry showers at first in E. and S.W. will become milder later with some rain.

BUSINESS CENTRES

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Amsterdm.	C	3	37	Luxembrg.	C	1	34
Athens	F	18	64	Madrid	S	8	46
Bahrain	S	23	73	Manchstr.	C	6	43
Barcelona	F	11	52	Melbourne	S	23	74
Beirut	[illegible]	[illegible]	[illegible]	Mexico C.	S	19	66
Belfast	C	3	37	Milan	C	2	36
Belgrd.	Sn	2	36	Montreal	Sn	-6	21
Berlin	C	3	37	Moscow	Sn	-5	23
Birmghm.	C	3	37	Munich	Sn	[illegible]	[illegible]
Bristol	C	5	41	Newcastle	C	5	41
Brussels	C	3	37	New York	R	8	46
Budapest	C	[illegible]	[illegible]	Oslo	F	-2	28
B. Aires	S	33	91	Paris	C	4	39
Cairo	S	21	70	Perth	S	21	70
Cardiff	C	5	41	Reykjavik	R	2	36
Chicago	C	3	37	Rio de J'o	C	34	93
Cologne	C	1	34	Rome	C	17	63
Copnhagn.	R	8	46	Singapore	S	30	86
Dublin	C	3	37	Stockholm	C	-1	30
Edinbgh.	C	[illegible]	[illegible]	Strasbrg.	C	[illegible]	[illegible]
Frankfurt	C	[illegible]	[illegible]	Sydney	S	[illegible]	[illegible]
Geneva	C	[illegible]	[illegible]	Tehran	[illegible]	[illegible]	[illegible]
Glasgow	C	3	37	Tel Aviv	F	19	66
Helsinki	C	[illegible]	[illegible]	Tokyo	C	11	52
H. Kong	S	16	61	Toronto	C	[illegible]	[illegible]
Jo'burg	R	16	61	Vienna	C	-1	30
Lisbon	S	[illegible]	[illegible]	Warsaw	C	[illegible]	[illegible]
London	C	4	39	Zurich	C	[illegible]	[illegible]

HOLIDAY RESORTS

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Ajaccio	C	12	54	Istanbul	C	15	59
Algiers	[illegible]	[illegible]	[illegible]	Jersey	C	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	Las Palmas	S	20	68
Blackpool	R	6	43	Locarno	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Majorca	C	15	59
Boulogne	C	[illegible]	[illegible]	Malaga	S	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]	Malta	C	[illegible]	[illegible]
Cape Tn.	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]	Salzburg	Sn	-6	21
Guernsey	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
Is. of Man	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
				Venice	[illegible]	[illegible]	[illegible]

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sn—Snow.

Continued from Page 1

Healey starts pay talks

vetting and deciding attitudes on pay negotiations in both the public and private sectors.

Mr. Healey also referred to a highly structured pay Board and the more informal West German and Austrian methods of developing a national consensus on economic realities (favoured in a modified form by both the CBI and the Conservative Party) as being examples of two possible approaches.

But yesterday he went no further in indicating any personal preferences and only welcomed the constructive thinking of the CBI on the matter.

He was also told by the CBI leaders that the current round of pay negotiations in the private sector is still not showing any major cause for alarm and that a survey the CBI has conducted of productivity bargaining indicates that earlier worries about phoney deals being struck may have been exaggerated.

On the longer-term issue, some Left-wing Ministers, although accepting that a return to free collective bargaining might not be the best solution next July, are appalled at any suggestion that a pay Board might be set up to monitor claims. Such a formula, they believe, would bring the immediate difficulty of operating sanctions.

They would greatly prefer a return *to something akin to* Phases One and Two when a policy of pay moderation was conducted with the full and voluntary support of the TUC, taking into account the needs of the lower-paid.

Continued from Page 1

Agents

of £33.31m. on Australian property, of £10m. on Sterling Industrial Securities, and of £1.8m. on Big City Finance.

Mr. Sam Silkin, the Attorney-General, said yesterday that he was initiating legal action in respect of sums approaching £1m. against Mr. Sidney Finley, Mr. Sidney Davidson and the estate of the late Mr. Bernard Wheatley, the Agents' former sterling money manager.

The Fay Committee, headed by Judge Edgar Fay, whose other members were Sir Edmund Compton, a former Ombudsman, and City accountant Mr. Peter Godfrey, found the Agents' losses generally due to incompetence rather than misconduct.

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